National Restaurant Association Vol. 5[illegible] No. 11 December 198[illegible]

NRA NEWS

NRA MEETINGS

NRA NEWS
Vol. 5 No. 11 December 1985

Seminars

Basic Foodservice Courses

Basic Supervision in Foodservice
2/25 Burlington, VT
3/10 Shreveport, LA

Dining Room Management
1/21 Springfield, VA
1/27 Orlando, FL
2/3 San Antonio, TX
2/4 Austin, TX
3/3 Boston, MA
3/5 Springfield, MA
3/10 Grand Rapids, MI
3/11 Kansas City, MO

Kitchen Management
1/21 Ft. Worth, TX
1/28 Cincinnati, OH
2/4 Springfield, VA
2/6 Atlantic City, NJ
2/27 Indianapolis, IN
3/11 Calgary, Alberta, Canada

People-Power and Profits
2/11 Columbia, SC

Tools for Training
3/4 Boston, MA

Food Production Courses

Perfecting Your Culinary Skills
1/28 Kansas City, MO
2/4 Tampa, FL
2/24 Cincinnati, OH

Simplified Baking Workshop
2/27 Portland, ME
3/11 Baltimore, MD

Soups and Sauces
1/20 Van Nuys, CA
3/3 Boston, MA
3/4 Philadelphia, PA

Foodservice Management Courses

Banquet Management
2/3 Lexington, KY
2/26 Denver, CO

Beverage Management
2/25–26 Newport Beach, CA
3/3–4 Boston, MA

Business Dynamics for Women in Foodservice
2/6 Washington, DC

Introduction to Computers in Foodservice
2/17 Raleigh, NC
3/3 Providence, RI
3/10 Newark, NJ

Creative Buffets
3/4 Boston, MA
3/10 Portland, OR
3/11 Seattle, WA

Employee Motivation
3/4 Williamsburg, VA
3/6 Gatlinburg, TN

Food Cost Management
1/20 Jacksonville, FL
1/22 Atlanta, GA
2/25 Minneapolis, MN
2/27 Cleveland, OH
3/5 Williamsburg, VA

Foodservice Operators' Legal Workshop
2/4 Boston, MA
3/2 Washington, DC
3/5 San Francisco, CA
3/21 Denver, CO

Menu Development
2/26 Baltimore, MD

Negotiating for, and Financing, Foodservice Facilities
2/6–7 San Francisco, CA

Off-Premise Catering
2/10–11 Toronto, Ontario, Canada
3/24–25 Vienna, VA

Operational Analysis
2/25–26 Madison, WI

Planning and Implementing Restaurant Marketing Strategy
1/22–23 Houston, TX
2/25–26 King of Prussia, PA

Real Estate & Restaurant Site Selection
1/21–22 Monterey, CA
2/10–11 Chicago, IL

Restaurant Design and Facilities Planning
3/24–25 San Diego, CA

National Conferences

INFO 86: Independent Operators National Conference
2/16–19 Orlando, FL

National Conference on Computers in Foodservice
3/16–19 Washington, DC

For more information, contact NRA Education Programs 311 First Street, N.W. Washington, DC 20001 (800) 424-5156 or (202) 638-6100

1986 Study Group Meetings

Foodservice Security Council
1/20–22 Chicago, IL

Safety Officers
1/22–24 Chicago, IL

Large Independent Operators
2/14–16 Orlando, FL

Labor Relations
2/25–26 Memphis, TN

Financial Officers
4/2–5 Lake Tahoe, NV

Tax Executives
4/2–5 Lake Tahoe, NV

Market Research
4/9–11 Atlanta, GA

Management Information Systems (MIS)
4/13–16 Lake of the Ozarks, MO

Internal Audit
5/6–9 Hilton Head, SC

Quality Assurance
May (to be determined)

Foodservice Purchasing Managers
5/14–16 Chicago, IL

Marketing Executives
5/14–17 Chicago, IL

MAECO
5/14–16 Chicago, IL

For more information on specific study groups, contact Philip Kralovec, (312) 853-2525.

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NRA NEWS (ISSN 0465-7004) is published monthly, except combined June/July issue, by the National Restaurant Association, 311 First St., N.W., Washington, DC 20001. Membership dues include a one-year subscription to *NRA NEWS*. The non-member subscription fee is $125 per year. Second-class postage paid at Chicago, IL 60607 and additional mailing offices. Copyright © NRA 1985. Postmaster, send address change to *NRA NEWS*, 311 First St., N.W., Washington, DC 20001.

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PRESIDENT'S REPORT

Ied Balestreri
Co-Owner
The Sardine Factory, Inc.
Monterey, California

1986 industry forecast is positive

Good news: NRA's 1986 foodservice industry forecast estimates sales will climb $11 billion dollars above 1985 levels. Total 1986 sales will reach $186 billion.

Your NRA vice president, Jim Hasslocher and treasurer, Michael Grisanti, joined me last month at a NRA press conference to announce the industry forecast to the national media and trade press. In addition to economic predictions, the press conference focused on current consumer trends. The more than 30 press representatives attending the New York City briefing included *USA Today, New Yorker, Forbes, Time* and *Baltimore Sun*. NRA's forecast is expected to generate wide media coverage focusing on the responsiveness of the industry to current consumer wants and needs.

For a complete look at the *1986 NRA Foodservice Industry Forecast*, turn to page 11 of this issue. I'm personally proud that I am able to represent an industry which can boast of six consecutive years of real growth.

Congress moves on business meal deduction

The future growth of the industry may, however, be in the hands of our representatives in Washington. Just before Thanksgiving, the House Ways and Means Committee produced a tax simplification bill which included a provision limiting the deduction on the business marketing meal.

Intense lobbying by association members as well as NRA staff (letters, phone calls and visits) convinced nearly one-half of the Ways and Mean Committee members to drop this measure from the bill. Unfortunately the deduction limitation bill passed by a narrow two votes majority. Lobbying efforts did result, however, in raising the limit on business meal deduction from 75 percent to 80 percent. The House Ways and Means tax simplification bill must still pass the test in the full House of Representatives.

The battle to exclude the deduction limitation from final legislation is by no means over. NRA is now concentrating its efforts on the Senate Finance Committee which will begin work on its version of the bill early in 1986.

Video on tax plan adds to lobbying efforts

In a further effort to halt the deduction limitation, NRA is producing a video tape in which your officers explain why the limitation is both unjust to the foodservice industry and destructive to the nation's economy. The tape will be distributed to key senators, administration officials as well as the media.

TJTC extension in sight

On a positive note, an extension of the Targeted Jobs Tax Credit (TJTC) was included in the House tax simplification bill. If passed intact, TJTC will receive a two-year extension with some modifications. NRA will work hard to ensure TJTC appears in the final version of the bill.

NRA-PAC newletter sent to membership

NRA's lobbying efforts begin long before a bill is formulated in committee. Our efforts start with the election of representatives. To ensure that the foodservice industry is well-represented in Congress, NRA-PAC

contributes to the political campaigns of candidates who understand the foodservice industry and its position in the marketplace.

To keep NRA members up-to-date on NRA-PAC activities, a new newsletter has been inaugurated. The first issue of *Political Actions* will be sent to all association members in December. Look for an overview of upcoming campaigns as well as recent NRA-PAC contributions and an outline of 1986 fundraising efforts.

NRA cosponsors national symposium on liability

In conjunction with Pennsylvannia State University, NRA is cosponsoring a national symposium: *The Crisis in Product and Service Liability*, Washington, DC, January 29. The symposium will focus national attention on the recent escalation of civil court cases involving both product and service liability suits. The effects of the general liability crisis on the restaurant industry will be examined as an integral part of the program. Contact NRA's communications department for more information on the symposium.

Attend INFO 86

The annual NRA Independent Foodservice Operators' National Conference, INFO 86, is quickly approaching (Orlando, FL, February 16–19). If you are an independent operator, you should take this opportunity to meet with hundreds of other foodservice operators from across the country. You will have a chance to discuss similar problems, management techniques, industry trends and plans for the future. Contact NRA's education programs department for more information on the conference.

Update on AIDS

NRA has just completed an update on AIDS as it relates to the foodservice industry. It will be sent to NRA members this month in the form of a Current Issues Report. *Facts about AIDS* is a collection of the latest medical and government information on AIDS and the AIDS panic. Although information distributed by government agencies has quieted public panic, we feel you should be prepared to handle questions and comments from your customers. *Facts about AIDS* includes: steps for handling and eliminating panic, the legal implications involved in employment practices and a summary of the guidelines released by The Center for Disease Control (CDC).

CDC guidelines state that AIDS is not foodborne and is not transmitted in the foodservice environment.

Pocket fact book contains industry data

Your personal copy of NRA's pocket fact book is included in this issue of the ***NRA NEWS.*** The facts and figures in this handy booklet will be useful as you talk to local media or make presentations to community organizations. For additional copies, contact NRA's research department.

During November, 153 foodservice operators and allied suppliers joined us as members of NRA. Welcome. Your participation in NRA will make your business grow and make your association more effective in its endeavors on your behalf.

Sincerely,

Ted

Ted Balestreri
President and Chairman of the Board.

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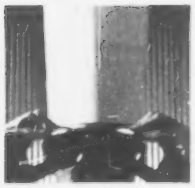

11 NRA focuses on a bright 1986 for the foodservice industry, predicting real sales will rise for the sixth consecutive year and total industry sales will top $185 billion. For a comprehensive overview of the upcoming year, review this year's annual forecast. Find out about consumer and market trends, sales predictions for all segments of the industry plus regional and state 1986 estimates.

Specials

Supermarket Competition **35** Supermarkets are challenging the restaurant industry with increasingly sophisticated take out products. Here is a look at what the competition is offering.

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Cover photograph by Gary D. Landsman

SHORT ORDERS

Liability symposium scheduled for January 29

Pennsylvania State University, in conjunction with the National Restaurant Association will sponsor a National Symposium on the Crisis in Product and Service Liability on January 29, 1986, at the J.W. Marriott Hotel in Washington, DC.

The symposium will address the dual problem of widespread liability suits and escalating insurance rates. Representatives from the foodservice industry, the medical profession and city and county governments will discuss the effects of needless litigations and propose solutions. Luncheon speaker Congressman James J. Florio (D-NJ), chairman of the house subcommittee with jurisdiction over the insurance industry, will discuss government response to the crisis. And the liability crisis in the foodservice industry, including suggested courses of action, will be examined as a case in point.

For more information or to register for this important symposium, contact: Liability Symposium, National Restaurant Association, 311 First St., N.W., Washington, DC 20001, or call (800) 424-5156 or (202) 638-6100.

NRA member implements Hospitality Project

The Frankenmuth Bavarian Inn, Frankenmuth, MI, has completed all steps leading to certification under NRA's Hospitality Project, a program which provides restaurant operators and their staffs with measurable standards for quality service.

Under the direction of project coordinator William A. Hart, more than 200 employees at the Bavarian Inn participated in the program. The staff spent over 1,400 hours implementing and customizing the program, undergoing management and service personnel training and listening to motivational hospitality speakers. All employees successfully passed the Hospitality Quiz at the end of the program.

According to Hart, the Bavarian Inn is extremely pleased with the effect the program has had on employees. "It's a big program," he acknowledged, "but it produces big results."

The 1,100-seat restaurant serves traditional German food in a white tablecloth setting.

Book on school foodservice

The third edition of *School Foodservice*, written by Dorothy VanEgmond-Pannell, has been released by AVI Publishing Company. This book has been used by school foodservice managers, planners, dieticians, administrators and educators as a working guide and textbook.

This revision includes updates on new legislation, food production, menu planning and equipment. The marketing and promotion of foodservice and computerization are presented in two new chapters.

Author VanEgmond-Pannell, director of foodservices for Fairfax County, VA, received the Silver Plate in 1981 and the Most Distinguished Pacesetter Award in 1984.

For further information, contact AVI Publishing Company, Inc., Box 831, Westport, CT 06881, or call AVI at (203) 226-0738.

State associations lobby Congress

The presence of various state restaurant associations has been felt more than ever this year in Washington. Representatives from state associations have met with their senators and congressmen regarding foodservice issues, such as the proposed business meal deduction cap, the sulfite ban and extension of the Targeted Jobs Tax Credit (TJTC). Shown, representatives from the Louisiana Restaurant Association and NRA Executive Vice President William P. Fisher conferring with Senator Russell Long (D-LA), third from left, during a recent Washington visit.

NRA member stages cooking demonstration on nutritious food

Attendees at the American Dietetic Association's annual meeting in New Orleans, LA, in October were given a special treat: a cooking demonstration of healthy Creole/Cajun recipes taken from the "lite menu" at Commander's Palace.

The demonstration was conducted by Emeril Lagasse, executive chef at the world-renowned restaurant. The demonstration was the first of a series of regional cooking demonstrations planned by the ADA to show that people can eat exciting foods without sacrificing health and nutrition.

WASHINGTON REPORT

Interview with Labor Secretary Brock

NRA NEWS recently interviewed Labor Secretary William E. Brock. Brock was appointed by President Reagan to head the Department of Labor (DOL) earlier this year after serving as U.S. trade representative during Reagan's first term. Brock is a former U.S. senator and representative from Tennessee and previously served as chairman of the Republican National Committee. NRA NEWS spoke with Brock about issues of concern to the foodservice industry.

***NRA NEWS:* It has been five years since the minimum wage was raised to $3.35 an hour. Do you anticipate another increase anytime soon?**

Brock: I don't see any movement to change it in the near-term. The only suggestion the administration has before Congress at this time is the enactment of a youth opportunity wage.

Q: Do you anticipate any action on the youth opportunity wage?

A: I hope so. The matter has hung around long enough. Everybody talks about helping young people, but nobody wants to do anything about it. The fact is, hundreds of thousands of teenagers in this country don't have jobs and can't get one. They are caught in a Catch 22 situation: They don't have a job, so they can't get any experience; they don't have any experience, so they can't get a job.

We believe the youth opportunity wage, which would let employers pay teens 75 percent of the minimum wage during the summer months, is one way to deal with the problem. We think it would create 400,000 new jobs. If we are right, we have done a great thing for this country; if we

are wrong, we can try something else.

Q: An effort is being made to pass a youth wage bill in the Senate. What are the prospects for passage in the House?

A: We had a vote on this issue in the late 1970s and lost by only one vote in the House. It has been six or seven years since then, and youth unemployment is substantially worse than it was then. That indicates to me that we have a reasonable chance of passage.

Q: Opponents of a youth wage in the House have been able to keep it bottled up in committee. What are the chances of getting it out?

A: It is very difficult to see it coming out of committee. So far it has not even been considered at that level. If that remains the case, our only hope is to get it on the floor. I hope we can find some bill in the Senate to attach it to so that we can send it over to the House.

Q: Another piece of legislation that will receive congressional attention soon is U.S. Rep. William Ford's (D-MI) plant closings bill, H.R. 1616, which would require businesses with 50 or more employees to give 90 days notice before closing. What is the administration's position on this?

A: Bills like this, while well intended, are at this point unwise, unnecessary and potentially dangerous. I am afraid it would create a situation where plants might close that would not close otherwise. If you have some federal penalty for not meeting certain notification criteria, you could put a manager in a position of having to notify the banks and workers before the final decision to close is made and that could result in bank money drying up. The plant might lose its credit standing and be forced to close when, in fact, it may have had a chance of staying open.

That is what I am worried about, and that is why I have created a committee composed of labor, management and academic representatives to see what we can do to ease the burden of plant closings. Until we get a report from that committee, I am not going to support any bill of this sort.

Q: Many of our members use the Targeted Jobs Tax Credit (TJTC), which is administered by DOL. What do you think the chances are of Congress extending TJTC beyond its expiration date of Dec. 31, 1985?

A: I think the odds are less than even. Congress is caught up in the tax reform bill so no one really knows what will happen. The tax bill will have a tough time getting through both houses and into law this year.

Q: There are several DOL regulations—for example, the exempt manager and child labor rules—which NRA believes should be revised. What, if anything, will your department be doing to update these?

A: We obviously need to rethink the exempt manager rules. That is a fair request, and we are going to consider it. We plan to solicit public comment on these rules, and we would very, very much appreciate your association's and your members' comments. Your members can give us some good advice on what we can do to shape up the exempt manager rules. We will be asking other groups for their advice as well, and we will be engaged in the comment process for the next several months.

We did not put the child labor standards question on the regulatory agenda this year because we just ran out of time. However, I would be surprised if it were not under consideration in the next year.

Q: Comparable worth—the idea that people in different jobs should be paid the same if their work is of comparable value to society—has been getting a lot of attention. The House recently passed a bill that would require the government to study the feasibility of implementing comparable worth in the federal

work force. What is the administration's position on this kind of legislation?

A: It is a well established ethic in our society that we ought to pay people the same wages for doing the same job, regardless of any physical differences, such as race or sex. That came in the 1960s with the Civil Rights Act, and no one would want to go back to the old days.

What some are suggesting now is very different—that government should compare different jobs and say that one job has the same value as another. You would have to have a remarkably optimistic view of government to think that we would ever have the competence to make those determinations.

We don't have the capacity to tell a restaurant employee, for example, that he is worth more or less than someone in an entirely different occupation. You wouldn't want us to. If you think we have political tension and bitterness in this country today, think how much worse it would be if the federal government was setting different pay scales for different types of work, and people had no voice in that process.

Q: So your position, then, is let the marketplace work?

A: Sure. No one else in the history of the world has found a better system than what we have in the U.S. We have done more good things in the last 200-plus years than any other society in the history of man. We have done it because we have left the American people alone, by and large. We have made our greatest progress when the government stayed out of the way, when we let the competitive forces of supply and demand and discipline of the marketplace work.

Q: We hear so much today about the U.S. shifting to a service-based economy. What are some of the trends you are seeing in this area, and what will it mean for our future work force?

A: What is happening is a normal transition: As technology changes the world in which we live, it also changes the world in which we work. We are still producing a lot of goods, but we need fewer people on the assembly lines. So we are seeing a greater demand for people who know how to keep the assembly lines going—people who know technology, electronics and computers.

We in DOL have to be sure that our country's education and training system is designed to give people more flexibility so that they can upgrade their skills throughout their working lives. Young people today will hold an average of four to five jobs in their lives; some will hold five to 10. We have got to do a better job educating and training these people. We also have to convince business and labor that skill development is a lifetime process. Businesses have to improve their training programs so that there is a constant upgrading of skills.

Q: Aside from improving education and training programs, what other advice would you have for business people in the '80s?

A: I would love to see more business people seeking public office, especially at the state, county and city level. That is where we desperately need people who have the wonderful knowledge that comes from having successfully run a business. Those talents can be supportive of stronger local and state government.

IRS issues new auto log rules

Taxpayers will not be required to keep daily, detailed logs documenting the business use of a vehicle, according to new regulations issued by IRS.

Under the new regulations, businesses will be required only to provide evidence to support their tax deductions for auto use in the same way they would any other business-related deduction. While IRS will no longer require contemporaneous written evidence, IRS suggested that "written evidence has more probative value than oral evidence alone." IRS also noted that records documenting business use should be prepared as close to the date of use as possible.

IRS enumerated several special rules to minimize the burden of recordkeeping. Certain qualified nonpersonal use vehicles, such as refrigerated trucks, will be exempt from recordkeeping. Also allowed is an IRS sampling technique for taxpayers whose business use follows a regular pattern. Regular-pattern users, who are not control employees, need only prove the amount of business and personal use of a car for one week out of each month.

The new regulations apply not only to automobile use but also to other business property, including computers and property used for entertainment, recreation or amusement.

The new rules will apply to any taxable year beginning after Dec. 31, 1985.

—Jay Morris
—Michelle Rabayda

Comment period closes on central kitchen rules

NRA met with Department of Agriculture (USDA) officials concerning proposed restaurant central kitchen regulations last month. The association also prepared written comments to USDA on the issue.

The proposed rules were published this summer and implement an NRA-supported bill passed by Congress at the end of 1984.

The rules would exempt from USDA meat and poultry inspection central kitchens that ship ready-to-eat food to local establishments owned by the same firm. The rules are designed to encourage use of central facilities. Under current law these facilities must meet stringent requirements, including prior approval of recipes, labeling of products and strict building specifications.

Although NRA generally supports the USDA's proposed regulations, it has some difficulty with the department's definition of "ready-to-eat." The regulations would require that all foods being transported from a restaurant central kitchen be the proper temperature for serving. This means that hot foods could not be chilled for transportation and then reheated prior to serving.

In its recent meeting with USDA, NRA suggested that operators be permitted to chill foods during transportation and then bring them to serving temperature after they are received.

1985 foodservice legal issues

Major legal issues affecting the foodservice industry in 1985 were in the areas of liquor liability, AIDS, labor regulations and tip reporting.

Liquor liability

Alcohol-server liability and its effect on insurance rates was the major legal issue for many operators this year. Contrary to the usually slow pace of legal change, server liability has expanded dramatically in the past few decades.

Today, more than 40 states have some way, either through statutory law or court decisions, of holding commercial servers liable for injuries to third parties caused by their intoxicated patrons. As the number of liquor suits and settlements has increased, insurers have been forced to pay out larger sums, and liquor liability is now a losing proposition for most insurance companies.

This fact, coupled with negative claims experience in nearly all types of property and casualty insurance, has resulted in huge premium increases: This year the average operator is paying premiums that are 300 to 400 percent higher than last year's charges for the same or less coverage. In many states, such policies are no longer affordable or even available at any price.

Operators seek relief . . .

The natural response of operators and their representatives in state capitals has been to seek modifications of liability laws, and surprising progress has been made. In 1985, several state legislatures overruled courts that had expanded liability. Instead, they restricted or eliminated server liability. The Missouri legislature, for example, made it the law of the state that "consumption of alcoholic beverages, rather than the furnishing of alcoholic beverages, (is) the proximate cause of injuries inflicted upon another by an intoxicated person." Injured third parties may still sue in Missouri but, under the terms of this law, only after the state has found the defendant licensee guilty of serving the minor or obviously intoxicated person who caused the injury.

Similar laws were passed in South Dakota and Wisconsin.

Moves to limit liability . . .

Some states, while upholding licensees' liability, moved this year to limit that liability under some circumstances. Maine's amendments established a two-year notice requirement and for the first time provided that a defendant's liability will be limited to that proportion of the plaintiff's judgment that corresponds to the defendant's actual fault, a concept known as comparative negligence. Wyoming now limits liability to those situations where a patron's intoxication was apparent to the licensee. Rhode Island capped liability at $200,000 per injury but only in instances where the patron was not visibly intoxicated.

Minnesota also adopted comparative negligence in liquor suits this year, prohibited auto insurers from going after licensees to recover damages charged against intoxicated drivers, restricted damage awards to financially measurable factors, such as injuries to persons, property or means of support, and established penalties for those who file bad-faith claims against licensees.

The practical effect of these new laws must still be determined, and pressures within the insurance industry will work to keep premiums high and availability low for the near future.

Relief tied to further regulation . . .

In some states, too, relief for liquor licensees will come tied to further regulation. This year, Oregon became the first state to require server training programs as a condition for liquor licensing, beginning in 1987. With the increased sophistication and importance of server training programs, it is logical to assume that other states, as well as insurance com-

panies, will consider establishing server training and certification requirements.

Bans or restrictions on discount pricing, two-for-one and other special drink promotions are spreading rapidly. NRA anticipated this last year when it recommended that operators rethink their use of these promotions before regulation became necessary. While many establishments revised their policies voluntarily, the state alcohol agencies rushed to adopt these so-called "happy hour bans" as a quick, easy-to-administer answer to the drunk driving problem. Although the effectiveness of these restrictions is open to question, they may have the important side-effect of reducing operators' liability exposure.

AIDS

A new issue, and one that will become more important, is the employment implications of Acquired Immune Deficiency Syndrome (AIDS). Law and emotion are closely tied here, with responses ranging from compassion to bigotry. Foodservice employers may feel caught in the middle between defensive employees and an agitated public and uncertain about their legal options.

For starters, the federal Center for Disease Control (CDC), in response to NRA inquiries, has stated consistently that AIDS is not spread by food handling or other forms of casual contact. There is no recorded instance of AIDS transmission under such circumstances. Many states and localities have laws barring foodservice employees with "contagious" or "communicable" diseases, yet it is arguable, given the very limited means by which AIDS is transmitted, whether these prohibitions cover the disease.

Employees with AIDS in other industries have generally tried to reclaim lost jobs by relying on state laws prohibiting employment discrimination against persons with medical or perceived handicaps; most of these plaintiffs have failed to outlast the legal process. Yet nearly every state has such a law, and officials in New York and Texas have already ruled that AIDS patients are covered by those states' handicap discrimination protections.

The most important application of the handicap laws, however, will be against employers who require so-called "AIDS testing." This blood test is highly unreliable, yielding many false positive results, and was intended only to screen donated blood, not to diagnose AIDS. It can only pick out those who have been exposed to the AIDS virus.

Only 10 to 20 percent of those individuals, says CDC, will ever contract AIDS. Employers who make decisions based on the results of these tests, therefore, will be subject to suits by employees. Employers will have difficulty arguing public health considerations, given the limited transmissibility of the AIDS virus, or arguing that employees are physically incapable of performing their jobs.

Three states, California, Wisconsin and Florida, have already banned employment-related AIDS testing. The city of Los Angeles now prohibits discrimination on the basis of AIDS, and other jurisdictions may soon legislate in this area. Especially in light of CDC's recent recommendation against employment-related AIDS testing, there is no reason for employers to over-react.

Labor issues

Key labor issues in foodservice concern salaried employees and meal credits. Department of Labor (DOL) officials plan to issue a call for public comment on who should be classed an "executive" employee, and regulations are expected next year to clarify DOL's new position on meal credits.

Tip reporting

The Internal Revenue Service (IRS) made minor changes in tip reporting requirements this year. Some employees will no longer be expected to report tips equal to eight percent of sales; they can report as little as two percent if they or their employer can prove that the establishment's average tip is below eight percent. IRS also repeated its long-standing advice to employees that a daily contemporaneous record of their individual tips will be the best evidence to present to the IRS if the employee is audited.

Although these daily records are for employee use only, IRS' unspoken assumption is that they will encourage employees to file more accurate tip reports with their employer. This increases tax collections, of course, but also benefits employers who might otherwise have to allocate tip income when employees fail to reach the eight percent level.

—Robert Palmer

Announcing a new NRA Education Program

Foodservice Operators' Legal Workshop

A one-day foodservice management program

One of the most threatening situations for a foodservice operator is to be caught off base on legal issues. It can damage your reputation, demand a considerable investment of your time and deplete your financial resources.

Federal and state laws affect your daily operating decisions

- Should your chef be paid on an hourly or salaried basis?
- Can you be held liable for sexual harassment committed by customers?
- How will AIDS affect your hiring practices?
- What can be done to lower liquor liability insurance rates?
- Can illegal aliens land you in jail?
- Are you responsible for your customers' property or perhaps their lives?

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Dates and Locations

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1986 NATIONAL RESTAURANT ASSOCIATION FOODSERVICE INDUSTRY FORECAST

NATIONAL RESTAURANT ASSOCIATION

1986 FORECAST HIGHLIGHTS

The industry is headed for its sixth consecutive year of real growth.

- **Foodservice industry sales** are projected to reach $185.8 billion in 1986—up 6.6 percent over 1985.
- **Real sales,** adjusted for inflation, should rise 2.8 percent—a slight improvement over 1985's 2.1 percent real increase.
- The **Commercial Feeding Group** should record sales of $162.9 billion in 1986—up 7.1 percent. In inflation-adjusted dollars this represents a 3.2 percent increase.
- Real sales for the **Institutional Feeding Group** are expected to edge down a slight 0.1 percent next year.
- **Retail host restaurants,** fueled by significant gains in foodservice sales at grocery stores and convenience stores, are predicted to post the largest real sales increase in the industry—7.1 percent.
- For the second year, **airline contract feeders** and **airlines, passenger/cargo liners and railroads** providing their own foodservice are forecast to record impressive real growth—advancing 6.6 percent and 6.4 percent, respectively.
- Fast food restaurants should continue to register healthy sales gains. After adjusting for inflation, **limited menu restaurants** will post a 4.8 percent gain in sales, outpacing the industry average.
- **Eating place sales,** which account for nearly 65 percent of total industry sales, should total $120.0 billion. This represents a strong 7.6 percent increase. In real dollars, **eating place sales** should advance 3.7 percent, up from 2.8 percent in 1985.
- **Menu prices** are projected to climb 3.9 percent in 1986, matching 1985's gain.

The foodservice industry is gearing up for its sixth consecutive year of growth. The National Restaurant Association's 1986 Forecast reports that industry sales should climb to $185.8 billion. After adjusting for inflation, real sales are expected to advance a moderate 2.8 percent next year, up slightly from 1985's 2.1 percent increase.

Because the foodservice industry is affected by many external factors and because it is made up of many vastly different segments, this year's outlook will single out only the most influential trends.

The Forecast begins with an analysis of external factors governing industry growth. These include:

- the consumer
- the economy
- the labor market and
- federal, state and local government.

Next, the Forecast examines how the foodservice industry is responding to these external influences. Some of the innovative steps operators are taking to meet the changing needs of their customers and to operate in an increasingly competitive environment include:

- repositioning
- take out/delivery
- nutritious menu offerings
- promotions
- management techniques
- recognizing new competition and
- expansion strategies.

Once the framework has been established, the 1986 Forecast looks at specific projections for eating places and menu prices as well as for specific industry segments. Also included is NRA's detailed regional forecast for restaurant sales in the 50 states and the District of Columbia and a quick look at industry food purchases.

The 1986 Forecast also includes results of an exclusive NRA/Gallup survey that studied consumers' satisfaction with their frequency of eating away from home. It highlights who would like to eat out more frequently in 1986 and at what types of establishments.

To complete the picture, the Forecast looks at industry performance in 1985 and concludes with some insights beyond 1986, based on a recently completed NRA research project.

The information contained in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc.

THE FOODSERVICE INDUSTRY IN 1986

What's in store for the foodservice industry in 1986? As the new year approaches the outlook seems bright. According to the National Restaurant Association, the industry is gearing up for its sixth straight year of real sales growth.

Total industry sales are projected to total $185.8 billion in 1986, well above the $174.3 billion recorded in 1985. This marks an increase of $11.5 billion or 6.6 percent in nominal terms. Real sales, after adjusting for inflation, should advance 2.8 percent, slightly below the expected 3.1 percent increase in the Gross National Product (GNP).

Food and drink sales in the Commercial Feeding Group are projected to make the most substantial gains in the foodservice industry in 1986, advancing a hefty 7.1 percent to $162.9 billion. These sales will account for a whopping 87.6 percent of total foodservice sales. In comparison, sales in this sector climbed a slower 6.4 percent in 1985. In inflation-adjusted dollars, sales in the Commercial Feeding Group should rise 3.2 percent next year.

The Institutional Feeding Group is expected to post sales of $22.0 billion in 1986. This represents a very modest 3.4 percent increase from sales of $21.3 billion in 1985. In real terms this translates into a disappointing 0.1 percent decline in sales, compared with a slightly larger drop of 0.7 percent recorded in 1985. The decline reflects increased pressure on the government to reduce funding for many social programs, a decline in the populations served by institutional foodservice and the growing success of contractors who have moved into this segment.

Sales in the Military Feeding Group should also climb, advancing 6.5 percent to $932 million. However, this increase is somewhat smaller than the 6.8 percent advance recorded in the prior year. Real sales, after adjusting for inflation, should rise 2.6 percent in 1986.

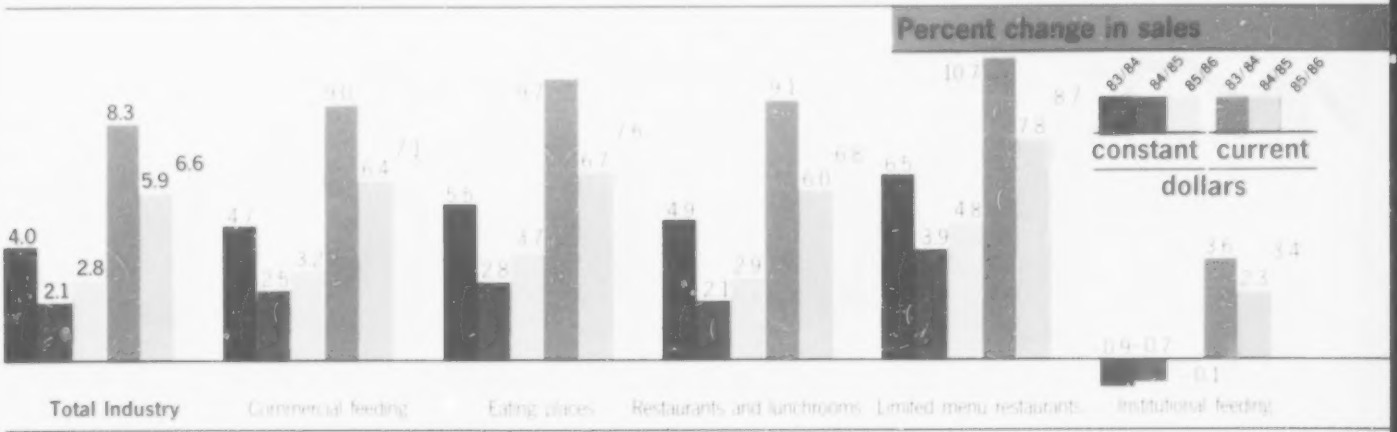
Menu prices will influence industry growth. . .

Menu prices will have a role in influencing industry growth in 1986. Menu prices are expected to climb 3.9 percent, matching 1985's gain. Modest advances in wholesale food costs, inflation and overhead costs as well as more intense competition should help keep down the overall increase in menu prices.

Wholesale food costs are projected to rise 2.5 percent during 1986, well above the 1.8 percent decline registered in 1985. A weaker U.S. dollar, which may help boost demand for U.S. agricultural exports, and a slightly higher inflation rate should put some upward pressure on food prices next year. Additionally, production of beef, pork and eggs is expected to decline throughout the year, resulting in higher prices for these commodities. On the other hand, poultry output, fueled by greater consumer demand, is projected to grow in 1986, causing prices to fall.

Labor costs are also expected to rise at a moderate 3.0 percent pace in 1986, approximating 1985's level. Modest growth in the inflation rate and an adequate labor supply because of high unemployment should continue to hold payroll costs down. In addition, overhead costs should keep pace with the inflation rate in 1986, rising at a 4.0 percent pace. In particular, low energy prices should help to keep the advance at a moderate level.

These basic cost increases, along with operators' concern for improving profit margins, should contribute to increased menu prices. If less effort is made to boost margins and if competition becomes more intense, menu price increases may be even more moderate in 1986.



Note: 1985 and 1986 figures are projected.

THE CONSUMER

The foodservice industry is in the midst of a major shift in direction brought about by changing consumer tastes and lifestyles as well as long-term demographic trends.

Key consumer needs and demands include:

Convenience. Although many eating out occasions revolve around a leisurely meal with a spouse or friends, on a large number of occasions consumers of the 80s are seeking quick, convenient meals that fit into their busy lifestyles. Many do not have the time to shop for food or prepare meals at home. This is particularly true for working women, who often have to juggle family, work and social activities into their daily schedule.

Convenience is also a major concern of singles, a group that is expanding rapidly and will continue to grow throughout the decade. These consumers want meals they can pick up in a hurry, whether between work and home or on the way to or from the gym for a workout.

Consumers are opting for take out meals as a way to get a quick meal or snack. NRA research reveals that more than one out of three consumers purchase a take out meal at least once a week, and an additional one-third do so one to three times a month. Only 14.4 percent report they never purchase take out meals or snacks. Demographic groups most likely to seek the convenience of take out include singles, families with children, households with a working wife or mother and 18 to 34-year-olds.

Quality. Today's consumers are better educated, and they have more experienced palates. They expect their dining out experiences to be of high quality. They know what they are looking for from their many different eating out occasions, in terms of food, service and atmosphere. Restaurant patrons say good food and good service are far more important than price, according to consumer research conducted by the National Restaurant Association. Consumers look for quality and value and seem to be generally satisfied with their restaurant meals. A survey conducted by the Gallup Organization for NRA in September 1983 revealed that the vast majority of patrons believe the following about the service they received:

- Items were served as ordered.
- Wait staff was hospitable and friendly.
- Food was served in a timely manner.
- They were greeted with a smile.
- Wait staff was knowledgeable about the menu.

When NRA brought the topic before focus groups in 1985, however, some participants felt that the quality of service was not what it used to be. Part of this reaction is undoubtedly due to the greater experience and knowledge of today's restaurant patron and to labor shortages experienced in many parts of the country. Comments about quality of service made by focus group participants include:

- Service is slow.
- Orders are not filled properly.
- There is a lack of consistency.
- Wait staff are more interested in turning tables than in serving.
- There is poor service on weekends.

Since service is a prime component of the eating out occasion, patrons place considerable importance on it. If they do not receive the quality of service they expect, it is unlikely that they will ever return to the establishment, and they also will tell their friends and associates about their bad experience.

Diversity. Consumer taste buds, conditioned by their Mexican, Italian and Asian favorites, are fired up for hot, spicy foods and high intensity flavors. This trend is reflected in an abundance of Mexican foods, Cajun foods and other spicy dishes. For example, nachos, virtually unknown just a few years ago, are now served at all types of restaurants. Spicy, fried or grilled chicken is becoming more commonplace. And Thai food, known for its fiery taste, is winning a loyal following.

In fact, the growing popularity of hot, spicy and high intensity foods comes on the heels of the increased popularity of ethnic restaurant concepts within the industry. According to a recent NRA survey, the top three ethnic foods in the U.S. are Italian, Asian and Mexican cuisines. Approximately nine out of 10 consumers have eaten each of these foods at least once in a restaurant. Now, many are looking for new taste experiences, from the intense flavors of herbs and spices to items cooked in flavored vinegars or even more exotic ethnic dishes.

Other new concepts which operators are using to respond to this burgeoning desire for diversity include American regional cuisine, mesquite grilling and sushi bars. All this points to the diversity of consumer preferences and the willingness of the consumer to try new things.

Grazing. No longer a novelty, grazing seems to be a new dining pattern among consumers of the 80s. In this new approach to dining, consumers satisfy their de-

Consumer expectations when eating out

Expectation	Percent saying
Cleanliness	81.5
Tasty food	70.4
Food cooked as requested	65.5
Friendly service	53.0
Quick service	41.4
Employees who ask if patron wants anything else	44.1
Menu variety	34.3
Attractive room decorations	31.6

Source: *Consumer Expectations with Regard to Dining at Restaurants*, NRA, September 1983

Consumers' comments on quality and service

"I like to be greeted when I walk in."

"Price is important, but quality is more important."

"If I'm paying for food, I expect the service to be top-notch."

"The waiter/waitress can make a big difference."

"If serving people are phony, you can tell it right away."

"I want to be recognized right away."

"I don't mind paying if the food is good and the service is good."

"Nothing that's frozen is as good as fresh."

"I waited 45 minutes once, and we finally walked out."

"Inconsistent."

". . . they're turning the tables to get good tips."

"Sometimes they seat you right away but then ignore you."

Source: *Qualitative Study of Eating Out Behavior and Attitudes*, NRA, September 1985

sires for a varied, yet light repast by opting against a full course meal. Instead, they choose a lighter, more casual meal, often consisting of several appetizers and possibly one or more desserts.

As an adjunct to the grazing phenomena is the popularity of single-serving portions of food. Mini pizzas; sushi; skewered grilled chicken; gourmet cookies; brownies; salad bars and premium wine or champagne by the glass are a few examples of foods and beverages that appeal to grazers. Since the food is ordered and paid for piecemeal, the consumer has ultimate control over portion size—whether it is one or two cookies or one-quarter pound of salad.

The grazing consumer is most likely to be a member of the baby boom generation. These individuals grew up on fast food, and they now graze at food courts as well as other locations. In addition to convenience, "grazers" also place top priority on variety.

Home activities. Consumers are rapidly acquiring an assortment of home entertainment options. It is estimated that nearly one-fourth of America's households own a videocassette recorder (VCR), and four out of 10 households have cable television. In addition, nearly half have microwave ovens in their home. All of these items make staying home more appealing.

As the number of families that own such appliances expands, these households will be looking for more services that are compatible with the convenience of home entertainment. As a result, take out and home delivery are becoming popular meal alternatives.

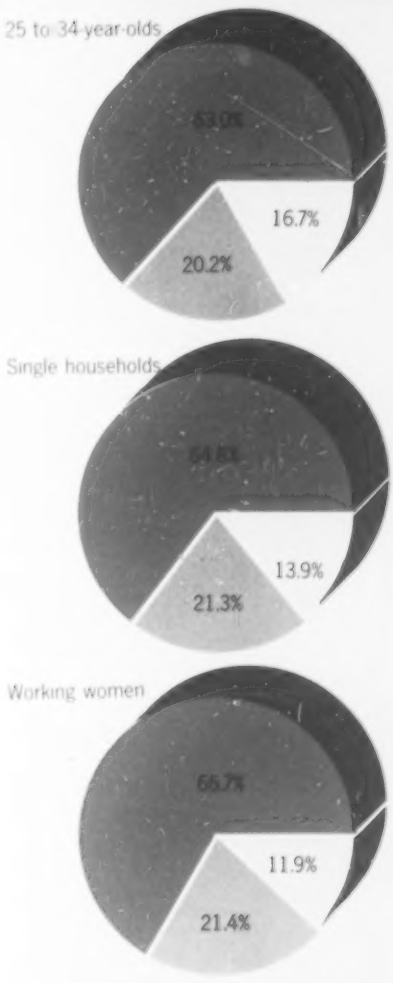
Percent of consumers who have patronized or are very likely to try specialty concepts

	Have tried recently*	Have not tried recently,* will likely purchase	Total potential market
Premium hand-dipped ice cream	32%	37%	69%
Oriental fast food	25	21	46
Diet/lite menu items	26	19	45
Gourmet take out	18	20	38
Mexican-style chicken	17	17	34
Spicy, Cajun-style cooking	14	16	30
Mesquite grilling	5	12	17
Sushi/sashimi	7	8	15

*In first three months of 1985

Source: NRA, *Consumer Preferences for New Restaurant Concepts*, National Restaurant Association, April 1985.

Percent of weekly meals eaten at home, in restaurants or skipped



Source: NRA, *Meal Consumption Behavior*, July 1985.

NUTRITION TREND CONTINUES

Low-fat milk consumption is on the rise; so is fruit and vegetable intake. As a nation we are eating fewer eggs and more fish and poultry. But, at the same time, candy and soft drink sales are skyrocketing, hot dogs are making a comeback, and patrons love dessert bars and tableside dessert carts.

It is safe to conclude that the public is conveying a mixed message about its nutritional concerns. Although there is a growing move toward improved nutrition and health, health-related habits are undeniably tough to change. In addition, taste and appearance seem to be much more influential than nutritional benefits when selecting food items. As a result, nutrition and health trends are evolving at a much slower pace than other lifestyle trends affecting the foodservice industry.

Increased public awareness . . .

The nutrition trend has been swelling; it is not a fad. In 1986 its effects on the foodservice industry should be felt more strongly than ever before. Federal regulatory agencies are promoting a greater degree of public awareness about the relationship between diet and disease.

- During the past year the National Institutes of Health (NIH) issued strong policy statements about the health hazards of obesity and high levels of cholesterol in the blood.
- The Department of Health and Human Services (HHS) in conjunction with the

Department of Agriculture (USDA) published the second edition of the *Dietary Guidelines for Americans*.

- The Food and Drug Administration (FDA) will soon propose new regulations for health claims on packaged foods. (Currently, this practice is prohibited.)
- Upcoming federally sponsored public education campaigns will focus on sodium and cholesterol. The goals of these programs are not only to identify the food sources of these nutrients for consumers but also to instill an understanding of the amount of sodium and cholesterol in foods. The concept of prudent recommended daily intakes of sodium and cholesterol will also be underscored. If successful, Americans' quantitative nutrient knowledge finally will expand beyond calories.

Consumers' comments on nutrition

"I'm always on a diet."

"I try not to eat meat."

"I'm not really going to be watching things when I go to a restaurant."

"Cholesterol is the reason for not eating beef . . ."

". . . salt is completely out."

"People are getting away from red meat and buying more chicken and seafood."

"I don't like a lot of red meat, and I enjoy vegetarian dishes once in a while."

"I'll dodge everything fried."

"I only eat whole wheat bread."

"Salad bars are here to stay."

Source: *Qualitative Study of Eating Out Behavior and Attitudes*, NRA, September 1985.

Prevention, not therapy . . .

The nutrition climate of the 1980s is different from that of the 60s and 70s. Rather than focusing on health foods for therapeutic benefits, consumers are demanding healthier foods (lower in fat, cholesterol and sodium and higher in fiber and complex carbohydrates) as preventive measures. The vegetarian craze of the 1960s has evolved into a semivegetarian trend, an eating style characterized by less meat (especially red meat) and more vegetables and starches. A recent series of focus groups conducted for NRA shows that the semivegetarian trend is most popular among the baby boom generation (25 to 39-year-olds). This group also expressed a sustained concern about food additives, preservatives, fried foods and red meat.

Men becoming more nutrition-minded . . .

Although women have traditionally been more interested in health and nutrition, men are becoming more aggressive nutrition-minded consumers. Men who dine out frequently are particularly conscious of restaurant nutrition.

When interest in nutrition is examined by age, NRA's focus groups indicate that young adults, between the ages of 18 and 24, are the least interested in restaurant nutrition. Older adults, 50 to 64-year-olds, seem concerned about nutrition due to caloric and other medically imposed dietary restrictions. The baby boomers seem the most interested in overall good nutrition.

Consumer demands in 1986 . . .

Unresolved issues, such as hypersensitivity to foods and additives in addition to labeling on fast food wrappers and containers, will continue to be debated through 1986. Consumer groups are expected to persist with the stance that patrons have the right to know the composition and preparation methods of restaurant foods.

These consumer attitudes may manifest themselves to foodservice operators in several ways:

- Patrons will be looking for healthier alternatives to menu items high in fat, calories, cholesterol and sodium.
- The demand for more vegetables and alternatives to fried foods should increase.
- Smaller portions or a choice of portion size should become more popular.
- The type of nutrition information patrons may look for on the menu will be for the most part non-quantitative. Reassurance that an item is a more nutritious alternative should satisfy most patrons better than actual numbers concerning sodium, cholesterol or fat.

THE ECONOMY

Economic factors play an important role in determining foodservice industry performance. In general, business conditions within the foodservice industry mirror economic conditions.

Both the economy and the foodservice industry started 1985 at a slow pace, but as the year wore on, conditions began to improve. Consumer spending was up in the latter months of 1985 and so was traffic at the nation's restaurants.

In 1985, the U.S. economy, while continuing to expand, did not maintain the impressive rate of growth recorded in 1984. The Gross National Product (GNP) adjusted for inflation expanded only 2.5 percent in 1985, compared with the much higher 6.8 percent real growth recorded in 1984.

1985 economic highlights . . .

- Consumers continued to feel relatively secure about their current situation. The Conference Board's Consumer Confidence Index, which measures consumer sen-

timents about the economy in the next six months, maintained levels similar to the high levels experienced in 1984.

- The inflation rate was lower than in 1984—3.5 percent versus 4.2 percent. However, the 1985 rate was still somewhat higher than the 3.2 percent inflation rate recorded in 1983.
- Real disposable income posted a moderate gain of 2.8 percent in 1985—down from the 6.7 percent gain recorded in 1984 and the 3.5 percent increase in 1983.
- The debt ratio in 1985 reached 18.4 percent of disposable income, up from 17.9 percent in 1984 and 16.9 percent in 1983. At the same time, the savings rate fell to a low of 4.7 percent, compared with 6.1 percent in 1984 and 5.0 percent in 1983.
- The nation's unemployment rate fell slightly to 7.2 percent in 1985. In comparison, the unemployment rate in 1984 was 7.5 percent, and in 1983, it was a much higher 9.5 percent. Increases in employment in the construction and manufacturing segments helped lower the number of unemployed persons.

Economic expansion to continue in 1986 . . .

The *Blue Chip Consensus Forecast*, published in October 1985, indicates that the economy should expand at a moderate pace in 1986. Real GNP gains will be higher in 1986 than in 1985—3.1 percent versus 2.5 percent. Increases in the construction and manufacturing sectors will be key ingredients to economic growth in 1986. An expanding economy often signals growth in the restaurant industry as well. The accompanying graph shows the high correlation between changes in real GNP and changes in inflation-adjusted industry sales.

The rate of increase in disposable income is another indicator of restaurant industry performance. As shown, changes in real disposable income are positively related to changes in restaurant sales. In general, as the rate of change in disposable income rises or falls, similar behavior is observed for restaurant sales.

Consumer incomes are predicted to record moderate gains in 1986. Real disposable personal income should advance 3.0 percent in 1986 after posting a 2.8 percent advance in 1985. Higher inflation may dampen the growth of disposable income; however, questions remain about the passage of new tax simplification legislation and its effect on disposable income.

Inflation is expected to be slightly higher in 1986, than in 1985. The Consumer Price Index (CPI) is forecast to advance 4.0 percent in 1986 compared with a lower 3.5 percent in 1985. Although there may be some upward pressure on labor costs and interest rates as well as higher prices for imports because of the lower dollar value, lower prices for gasoline, farm products and consumer durables should help keep inflation in check as should increased competition for the consumer dollar.

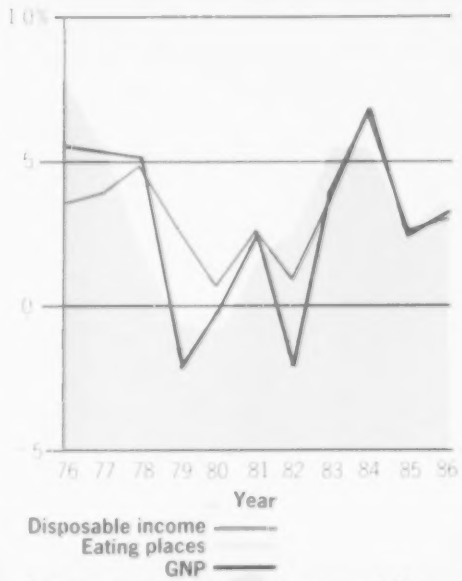
Other factors also have an effect on the economy and restaurant sales. Recently, cash available for purchasing non-durable goods and services, such as restaurant meals, has taken on new importance in spite of the fact that personal income has posted gains. The race to purchase cars and other durable goods on favorable terms has left consumers short of cash. Consumers have incurred a large amount of debt and depleted their savings. Installment debt in 1985 was an estimated 18.4 percent of disposable income, and the savings rate was a projected 4.7 percent. However, a recent analysis of the consumer debt load indicates that the situation may not be as bad as it appears. Monthly payments have been lowered because the maturity of consumer loans is longer. As a result, consumers are not as strapped for cash as many believe.

In 1986, consumers are expected to accumulate durables at a substantially slower pace. Expenditures for durables in current dollars are forecast to rise only 3.1 percent in 1986 versus a 6.6 percent gain in 1985 and a 13.9 percent advance in 1984. As a result, some improvement in spendable cash on hand should be seen in 1986 in spite of the fact that consumers are expected to be decreasing their debt load and increasing their savings.

The unemployment rate should drop to 7.1 percent in 1986, down slightly from the 7.2 percent rate predicted for 1985. This is the lowest unemployment rate recorded in five years. Increases in industrial production, forecast to expand 3.2 percent in 1986 versus a lower 2.5 percent in 1985, should help reduce the number of the nation's unemployed. Housing starts are expected to remain at 1.8 million units in 1986 and car sales (domestic and imports) should fall slightly from 10.9 million units in 1985 to 10.5 million units in 1986.

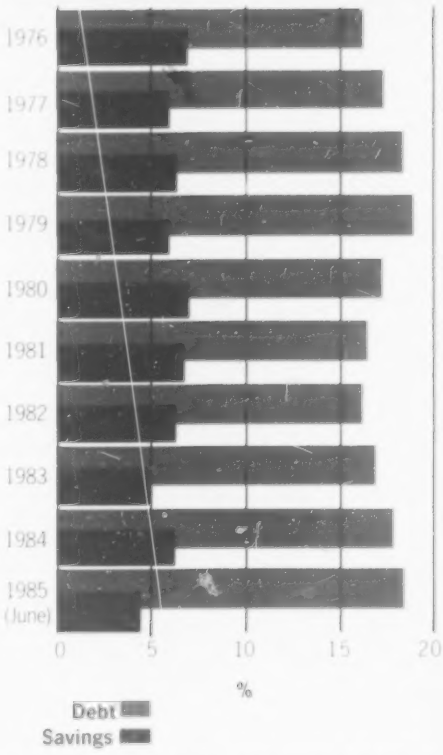
Several clouds on the economic horizon may dampen growth in 1986, namely the budget deficit and the trade imbalance. However, the economy is currently expected to weather these trials and continue to expand in 1986.

Percent changes in real eating place sales, real GNP and real disposable income



Sources: U.S. Department of Commerce, NRA.

Percent of disposable income that goes to consumer debt and savings



Sources: U.S. Department of Commerce, Bureau of the Census, Bureau of Economic Analysis.

LABOR MARKET TIGHTENS

The labor market is tightening, and it is unlikely that this situation will improve during the next five years. A recent NRA research project reveals that the industry will be faced with labor shortages for the remainder of the decade.

Shrinking supply of teenagers . . .

The primary reason for this shortage is the declining number of teenagers, as shown in the accompanying chart. Because the industry relies on teenagers—more than a quarter of its workers are teenagers—it is not surprising that the shrinking number of teenagers is not good news for the foodservice industry.

In 1975, there were 17.1 million persons between the ages of 14 and 17; and by 1980, that number had dropped to 16.1 million. The decline between 1980 and 1985 was even more dramatic—down to 14.7 million. And by 1990, the number will be even smaller, 13.0 million. The proportion of the U.S. teenage population has dropped from 7.9 percent in 1975 to 6.2 percent in 1985 and should dip even further to 5.2 percent in 1990. However, the downturn will not be permanent. By the year 2000, the number of teenagers should rise to 15.4 million and remain in the 14 to 15 million range for the 30 years after that.

Population projections (in millions)

Year	All Ages	14–17	18–24	55–64	65+
1970	205,052	15,924	24,711	18,682	20,107
1975	215,973	17,128	28,005	20,045	22,696
1980	227,738	16,140	30,357	21,759	25,713
1985	238,631	14,731	28,739	22,188	28,609
1990	249,657	12,950	25,794	21,051	31,697
2000	267,955	15,382	24,601	23,767	34,921
2010	283,238	14,983	27,655	34,848	39,195
2020	296,597	14,409	25,481	40,298	51,422
2030	304,807	15,154	26,225	34,025	64,581

Source: U.S. Department of Commerce, Bureau of the Census

Shortages not felt equally . . .

The labor shortage has not been felt equally in all areas of the country or among all segments of the industry. Shortages are especially critical in affluent areas and where the unemployment rate is low. Shortages are less of a problem in areas where unemployment remains above the national rate. Fast food operators feel the labor pinch more than do operators in the mid and upper-price segments. Also insulated are foodservice contractors and institutional feeders that tend to employ an older labor force.

Many restaurateurs believe that the shortage is more a problem of quality than quantity. They maintain that it is more difficult to obtain workers who are qualified for the job or who can learn the job than it is to find applicants for the job. Other operators say that the turnover rate in the industry is rising because applicants hired for jobs are not qualified for the position or they find something else in a very short period of time.

Competition will intensify . . .

The competition for workers will intensify. As the number of new restaurants continues to rise throughout the decade and as other types of retail establishments expand, operators will find it more difficult to find the workers they need.

NRA's recent research study confirmed that although many young people will continue to find their first jobs in the foodservice industry, the total supply of workers from that population segment will diminish. Instead, the industry's labor force will be increasingly dominated by women, senior citizens, disabled people and aliens.

Because the makeup of the industry's labor force will be changing during the remainder of the decade, changes in how restaurant operators attract, hire, train and retain employees will be required. Higher pay, better benefit packages, more worker autonomy and improved working conditions are among the adjustments that will have to be made to attract and retain workers.

LEGISLATIVE AND REGULATORY ISSUES

In 1986, the foodservice industry will continue to face a number of complex legislative and regulatory issues. In addition to labor, tax and food issues faced in prior years, other issues are surfacing that will probably have an effect on the industry during the next few years. These include concerns about the number of dram shop, or third party liability, laws; public and health issues, such as AIDS and the use or non-use of sulfiting agents and other additives.

The accompanying list outlines the issues that are expected to be most important to the foodservice industry in 1986.

At the federal level:

- Labor issues, such as a youth minimum wage, elimination or reduction in the tip credit, changes in the Targeted Jobs Tax Credit (TJTC) and the redefinition of exempt managers.
- Overall tax reform, including limiting the deductibility of the business meal, taxing fringe benefits, collection of federal taxes on tip income, elimination of the investment tax credit and accelerated depreciation.
- Use of additives and preservatives, such as sulfiting agents, and ingredient labeling.

- Immigration reform, which can affect operators' hiring practices concerning aliens.
- Other issues, such as central kitchen regulations and restricted use of the polygraph.

At the state and local level:

- Labor issues, such as the minimum wage, the tip credit and child labor laws.
- Tax issues, such as the privilege tax (also known as a meals' tax), collection of state and local taxes on tip income and sales tax on food sold at restaurants.
- Liquor issues, such as dram shop liability insurance, minimum drinking age and hours of operation.
- Smoking/non-smoking regulations and laws.
- Truth-in-menu issues.
- Use of additives and preservatives, such as sulfiting agents.
- Sanitation and safety issues.
- Public health issues, such as AIDS.

THE INDUSTRY RESPONDS

The foodservice industry has been responsive to changing consumer tastes and lifestyles. Operators are repositioning their concepts in order to establish a market niche. They are upgrading menus and decor, instituting take out and delivery service, opting for more healthy menu items, putting more emphasis on training employees and revamping hiring practices and benefit packages.

Menu expansion. In order to appeal to a wide spectrum of consumers, restaurant operators are expanding and reformulating their menus. Recent product rollouts, which have become successful, include catfish, seafood pasta salads and frozen desserts, such as tofutti and gelato. In addition, operators are extending or improving existing product lines by changing portion sizes and by altering the types of seasonings used in preparing certain dishes.

Restaurateurs also are using new preparation techniques, such as mesquite grilling, and adding ethnic, spicy and high intensity dishes to their menus in order to maintain a competitive edge. Breakfast has become another popular way to expand restaurant offerings to consumers.

Unit upscaling. Many foodservice operators are redecorating their units, opting for high tech or art deco designs that appeal to the maturing population. Other companies are installing skylights and atriums in their restaurants and using muted colors to give the units a lighter, brighter look.

Take out. Once traditionally the domain of fast food outlets, take out food is now offered at an increasing number of midscale and upscale establishments. Although hamburgers and pizza continue to be high on the list of take out food choices—four out of 10 individuals ordered hamburgers or cheeseburgers the last time they purchased food to go and two out of 10 purchased pizza—recent NRA research indicates that gourmet take out is becoming a favorite consumer option.

Approximately two out of 10 individuals patronized a restaurant specializing in gourmet take out in the first three months of 1985, according to NRA's *Consumer Preferences for New Restaurant Concepts*. Another 20 percent who had not purchased specialty take out during this time said they were very likely to buy it in the future.

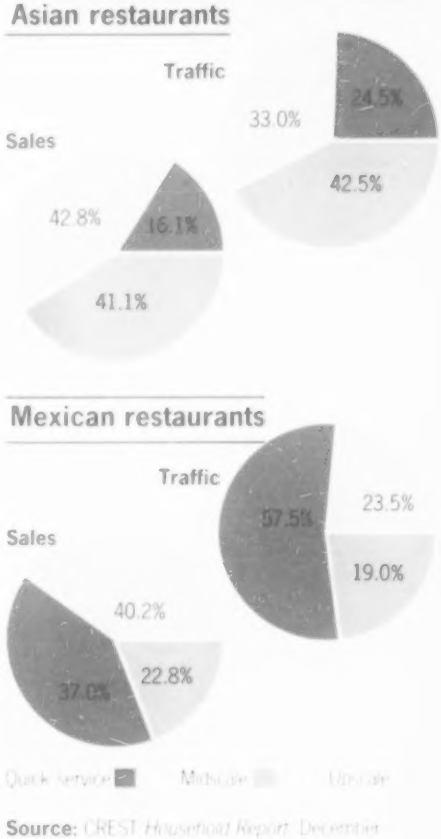
Research also indicates that operators who offer take out service should not suffer any substantial declines in their eat-in business. NRA's recent take out survey asked consumers where they would eat if no take out service had been available on their last take out occasion. The majority responded they would not have eaten out if this service were not offered. Forty-two percent said they would have eaten at home, and 14 percent would have skipped the meal. Thirty-eight percent reported they would opt for an eat-in occasion.

Home-delivery. Home delivery is also becoming a desirable means for restaurants to expand the scope of their operations. By offering delivery service, restaurateurs are catering to the large number of consumers who would rather stay at home to eat but who also do not wish to prepare a meal themselves.

While pizza is the number one home delivery food, some fast food chains are experimenting with home-delivered hamburgers and other items. A few companies are also taking their stores on the road, outfitting mobile units with a scaled down version of a full service operation in order to insure a hot, high quality delivered product.

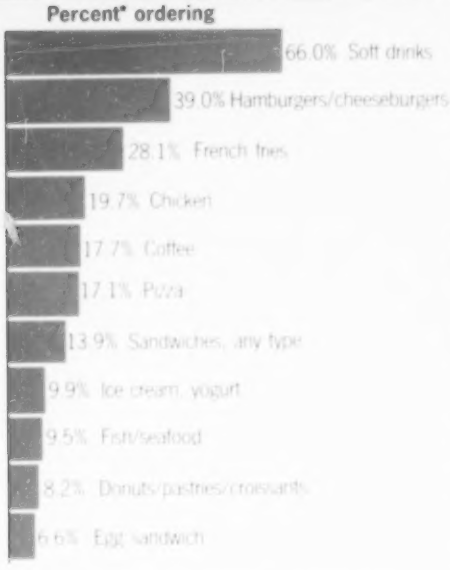
Nutrition. In response to consumer nutrition awareness, restaurants are expanding their nutritious offerings. Operators are discovering that it is the regular

Percent of sales and traffic



Source: CREST *Household Report*, December 1983–November 1984

Top 10 take out foods and beverages



*Represents percent of consumers ordering item on last take out occasion.

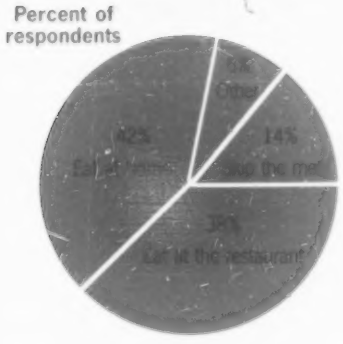
Source: *The Take Out Market*, National Restaurant Association, December 1985.

How often consumers purchase take out meals and snacks

	Percent of respondents
4 or more times a month	35.8%
2 or 3 times a month	19.4
Once a month	13.4
Once every other month	6.7
Once every six months	5.2
Once a year	3.6
Never	14.4

Source: *The Take Out Market*, NRA, December 1985.

What consumers would do if no take out service were available



Source: *The Take Out Market*, NRA, December 1985.

patron who is most consistently concerned about nutrition in restaurants and that light and healthy fare seems to sell better at lunch than dinner. Moreover, restaurants that add nutritious items to their menus often appeal to more consumers than do operations built solely around the nutrition concept.

What are restaurants doing? Chefs are attempting to reduce cholesterol, fat, sodium and calories without sacrificing taste and appearance. Fast food and quick service establishments are responding to the demand for healthier choices by offering light menu items, such as leaner meats, whole wheat buns and grilled rather than fried dishes. In addition, they also offer reduced calorie salad dressings and low fat, low calorie cheeses.

Restaurateurs continue to expand their salad bar offerings to include more fruit and more unusual vegetables. Participants in NRA's focus group study often expressed their liking for salad bars in restaurants and were enthusiastic about the new items that have recently been added.

Promotions. Because of heightened competition within the foodservice industry, promotional strategies are key factors in encouraging consumer usage of new menu items and new restaurant concepts. They also help build customer traffic.

In addition to the traditional cents-off promotional coupon, many restaurants are using "meal deals" that offer a full meal priced less than it would if bought a la carte. Early bird dinners, usually discounted, continue to be a good way to encourage business during the early dinner hour. These discounts are especially appealing to senior citizens and working wives.

Overall, restaurateurs appear to be leaning less toward coupons and more towards other types of promotions. According to CREST, 42 percent of all restaurant promotions in the summer of 1985 involved coupons, down from 52 percent of all restaurant promotions in the winter of 1982. On the other hand, the percent of special event promotions, including grand openings and holiday celebrations with temporary price reductions and other types of promotions, has increased. Special event promotions accounted for 24 percent of deal usage this past summer, compared with a lower 18 percent in the winter of 1982. Price reductions increased slightly—from 10 percent of the occasions in 1982 to 11 percent in 1985, and other types of promotions, including meal deals, represented 23 percent of the deal mix this past summer versus a lower 20 percent in the winter of 1982.

Foodservice operators are also promoting their business through community involvement. Ways in which restaurants promote their community ties include sponsorship of local athletic teams, artists and musicians. In addition, some foodservice operations are using celebrity endorsements of their products to promote a certain image and to heighten identification of their restaurant.

Management. Good management is a prime ingredient in the successful foodservice operation recipe. Managers today are adopting more sophisticated techniques in order to keep their operations in pace with the dynamic changes the industry is facing.

Computers. Computers have revolutionized foodservice operations. Managers are using computers for a wider variety of tasks, including ordering inventory, keeping track of overhead and developing employee work schedules. In addition, managers may employ computer technology to increase efficiency by developing the most productive combination of labor and materials for their operation.

Employees. Labor shortages due to demographic shifts and the shrinking teenage population have prompted changes in the hiring and recruitment process for many foodservice operations. Others offer hiring incentives that reward employees for recommending another qualified candidate. Operators are also employing more older and handicapped individuals and are revamping their benefit packages to attract and retain workers. Examples include educational benefits that subsidize college education costs and free transportation to and from work.

Training. In order to insure high service standards, operations have set up special employee training camps. Other operations are using video aids and computers to train their employees to become more skilled, more knowledgeable and more effective managers, servers and chefs.

Increased competition. There is increased competition from both within and outside the industry. Aggressive unit expansion has increased the number of outlets competing for the consumer dollar. According to information in *Franchising in the Economy*, the number of pizza franchise restaurants increased from 8,914 in 1980 to an estimated 14,898 in 1985. Hamburger franchise restaurants increased from 27,027 in 1980 to 31,641 in 1985, and franchise Mexican outlets have almost doubled over the past six years from 2,774 in 1980 to 4,228 in 1985.

New entrants into the foodservice arena include convenience stores, super-

markets, delis and gourmet shops. Convenience stores, while continuing to derive most of their revenues from gasoline, now offer fast foods; and supermarkets are beefing up their revenues with salad bars and full service delis. (See the supermarket competition update on page 35).

Expansion. Expansion strategies are becoming more creative as competition increases. In addition to traditional site developments, operators are now looking to more non-traditional methods of expanding their concepts in a tight market.

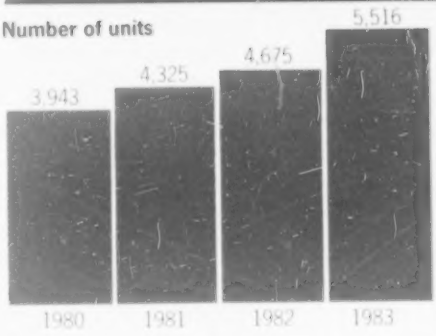
Many foodservice companies are diversifying and expanding their concepts through acquisition of other companies within the industry. This strategy allows the acquiring company to purchase not only a concept but also the sites, management practices and technology associated with that concept.

The ministore concept is a popular alternative used by operators who wish to expand into a market at the least possible cost. Typically used by fast food operations, the ministore offers limited service and limited menu items and therefore has lower overhead costs than a full service unit. Ministores are frequently found in shopping mall food courts, but some companies are building miniunits in rural areas or small towns in order to establish a foothold in a potential market.

Non-traditional site selection. While traditional unit expansion continues to be strong, operators are also developing non-traditional sites in order to expand their concepts. Some sites that are now considered prime for expansion include office buildings, department stores, hospitals, military bases and schools.

Foreign expansion. As a result of increased domestic competition, foodservice companies are expanding into the overseas market at a fast pace. Foreign demand for U.S. foodservice remains higher than the supply, and thus overseas expansion continues to represent a profitable strategy for growing firms.

International franchise growth



Source: U.S. Department of Commerce

STRONG EATING PLACE GROWTH

In 1986, eating places, which account for nearly two-thirds of total industry sales, are expected to boast above-average growth. This significant industry segment should reap the benefits of an expanding economy as well as strong consumer demand and rising consumer incomes. Total eating place sales are projected to reach $120.0 billion in 1986, an increase of 7.6 percent over 1985. This gain is well above the 6.7 percent advance posted in the prior year.

Real sales, after adjusting for menu price inflation, are expected to climb 3.7 percent versus a lower 2.8 percent advance in 1985. Eating places should also post a better real sales performance in 1986 than the industry as a whole—3.7 percent compared with 2.8 percent.

The healthy economic climate in 1986 should help boost eating place sales. Unemployment is expected to drop to its lowest level in nearly six years—7.1 percent, while real disposable income is forecast to advance 3.0 percent. Additionally, consumers are expected to cut back on their durable goods expenditures next year. As a result, consumers will have more cash to spend on non-durable goods and services, such as clothing and restaurant meals. Although consumers should have more cash, they will also be working on decreasing their debt load and increasing their savings, and this may dampen their discretionary spending. Many consumers, because they want to continue to eat out, may trade down to less expensive establishments in order to stretch their restaurant dollar.

The weather is another key variable. In 1985, extremely harsh weather in January and February, when temperatures averaged 5° to 10° Fahrenheit colder than normal in much of the country, caused real eating place sales to fall 0.5 percent; and the industry was never able to fully recover from this initial loss. However, the outlook for 1986 is much more promising. Experts predict that weather this coming winter will be closer to normal. As a result, restaurant sales should not be adversely affected.

Fast food establishments continue to post strong growth . . .

Limited menu restaurants (which primarily include fast food and quick service establishments) will continue to lead the eating place segment with impressive sales gains in 1986. Fast food sales are expected to jump 8.7 percent next year to total $51.2 billion. This is greater than the 7.8 percent gain posted in 1985 but below the 10.7 percent increase reported in 1984. Real sales, after adjusting for inflation, are forecast to rise 4.8 percent in 1986, compared to a smaller 3.9 percent real increase in the prior year. This increase is well above the 3.7 percent real gain recorded for all eating places and the 2.8 percent industry average.

A variety of factors will help shape the direction of the fast food segment in 1986. The desire for convenience stands out as one principal force behind this

category's growth. As the number of working women and two-paycheck households continues to grow, quick and easy meals will become increasingly important to consumers. Limited menu establishments are prepared to cater to these needs in the coming year as evidenced by the growing number of operators that are featuring take out, home delivery and breakfast. However, fast food establishments will face serious competition from supermarkets. Many consumers prefer the supermarket deli and salad bar over fast food establishments because they perceive supermarket food as being less expensive and of higher quality.

In 1986, aggressive advertising and promotional programs are anticipated as firms attempt to set themselves apart to lure customers.

Establishments will continue to bolster their image with more upscale foods (burgers with a variety of toppings), redecorated units (a more high-tech atmosphere) and more high intensity flavors (spicy chicken).

In addition, these fast food units will continue to expand their operations. Not only will firms build new units but many operations also will open in non-traditional sites, such as hospitals and office buildings; acquire existing units; and open smaller versions of already existing concepts (mini-stores).

Full service restaurant sales expected to rise 6.8 percent . . .

Restaurants and lunchrooms, the largest eating place category, should experience healthy growth in 1986. Accounting for one-third of total industry sales, the restaurant and lunchroom category should post sales of $62.4 billion, up 6.8 percent from $58.4 billion in 1985. Inflation-adjusted sales are expected to climb 2.9 percent versus a 2.1 percent advance in 1985 and a stronger 4.9 percent increase in 1984.

As consumers find themselves with more disposable income, traffic and sales at these establishments should rise. But consumers will have extremely high expectations for their restaurant experience. Not only will the restaurant's service and ambiance be important but also the quality, variety and price of food items offered.

Increased travel for business and vacations will also benefit this segment. Discounted airline fares have encouraged more domestic travel, and a slightly lower U.S. dollar may help boost foreign travel to the U.S.

Cafeteria sales to reach $3.5 billion . . .

Sales at **commercial cafeterias** should rise 6.3 percent in 1986 to $3.5 billion. This is a considerable improvement over 1985 when sales advanced a meager 3.4 percent. After adjusting for inflation, real sales in this category are projected to increase a moderate 2.4 percent. However, this marks the slowest rate of real growth in the eating place segment and is slightly below the industry average.

The major cafeteria chains will continue to upgrade their operations, including redecorating units and updating menu item selections. But sales at these establishments may be dampened somewhat next year because many cafeteria customers have been hard hit by a slowdown in wage increases.

Ice cream, frozen custard stands post sales of $1.5 billion . . .

Sales at **ice cream and frozen custard stands** are forecast to increase 6.9 percent and reach $1.5 billion in 1986. Inflation-adjusted sales are expected to rise 3.0 percent versus a stronger 3.3 percent gain in 1985.

America's ongoing love affair with ice cream will benefit this segment, and

Eating Place Sales: $120 billion

	1983 Estimated F&D sales ($000)	1985 Projected F&D sales ($000)	1986 Projected F&D sales ($000)	1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
Total eating places	$95,266,715	$111,524,337	$120,001,187	7.6%	3.7%	8.0%

gourmet ice cream parlor establishments are forecast to expand. Some major chains also have been building sales by introducing food items, such as hamburgers and french fries, resulting in the reclassification of many stores as fast food units. This explains why growth is expected to slow somewhat in this segment between 1985 and 1986.

Business will boom for social caterers . . .

Social caterers can expect business to be relatively good in 1986. This category should post the second best performance in the eating place group, with sales climbing 7.1 percent to $1.4 billion. This is well above the 4.9 percent nominal increase recorded by social caterers in 1985. In inflation-adjusted dollars, sales are projected to advance a healthy 3.2 percent in 1986, compared with a modest one percent real gain in 1985.

If a tax law reducing or eliminating the deductibility for entertainment expenses is passed, the outlook could change drastically for social caterers.

MAJOR MARKET SALES

Operators can take an in-depth look at 1986 sales projections for specific foodservice segments by examining the statistical tables in this section. The industry has been divided into nine major markets. The eating place segment, not included here, is detailed in the previous section. Following the nine-table breakdown, is a one page table outlining total 1986 food and drink sales for the foodservice industry.

Lodging place sales: $11.7 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total lodging places	$9,360,292	$10,887,420	$11,713,561	7.6%	3.7%	7.8%

Educational foodservice sales: $8.7 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total educational feeding	$7,765,280	$8,359,744	$8,706,935	4.2%	0.2%	3.9%
Subtotal	$4,425,636	$4,826,853	$5,036,133	4.3%	0.4%	4.4%
Subtotal	$3,339,644	$3,532,891	$3,670,802	3.9%	0.0%	3.2%

Employee foodservice sales: $5.9 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total employee foodservice	$4,923,603	$5,588,079	$5,907,746	5.7%	1.8%	6.3%

Lodging place foodservice outlook:

- New construction and expansion of convention facilities should contribute to this sector's growth.
- Increased domestic and foreign travel in the U.S. will boost lodging place sales.

Educational foodservice outlook:

- Declining enrollment in public and private colleges and universities should contribute to this segment's slow growth. On the other hand, the number of children enrolled in primary and secondary schools is expected to increase in 1986, helping boost total educational foodservice sales.
- Innovative meal plans designed to compete with fast feeders should help sustain food contractor sales growth at colleges and universities.
- Contractors are also making inroads at colleges and universities that operate their own foodservice.
- Institutional foodservice sales at primary and secondary schools are also facing increasing competition from contractors and fast feeders.

Employee foodservice outlook:

- Increased employment in commercial and office buildings as well as improvements in industrial and manufacturing plant employment should boost growth in this segment.
- Although increases in the number of white collar jobs may help growth for the contractor foodservice sales in commercial and office buildings, these gains may be dampened by major companies requiring their contractors to supply employee meals at a fixed price.
- A slight increase in the number of blue collar job openings will benefit food contractor sales in manufacturing and industrial plants.
- Institutional foodservice sales in the employee foodservice category, which include meal and snack sales for industrial and commercial organizations, seagoing ships and inland waterway vessels, will face stiffer competition from contractors, especially in the office segment.

Health care foodservice outlook:

- Increasing health care costs and declining patient days will contribute to weak food and drink sales at health care facilities.
- Much of the impressive growth anticipated for contractor foodservice sales at *hospitals and nursing homes* is the result of increased use of foodservice as a marketing tool to attract clients.
- High nursing home occupancy rates and the growing number of senior citizens should boost sales for *nursing homes* that operate their own foodservice.
- *Hospitals* that operate their own foodservice will suffer not only from declining average patient stays but also from increased competition from contractors.

Military foodservice outlook:

- Military foodservice sales growth is due to increased and improved quality food offerings. In addition, the number of military troops continues to surpass quotas.

Transportation foodservice outlook:

- Increasing passenger miles and steady business traffic are two factors that are projected to contribute to this segment's impressive showing.
- Airlines will probably continue to use fare discounts and other incentives to boost passenger traffic. In addition, some airlines are cutting costs by serving a snack rather than a meal and beverages instead of snacks.
- Railroads continue to show modest gains, and cruise ships are increasing passenger capacity in order to meet travelers' demands.

Recreational foodservice outlook:

- Due to a drop in the value of the dollar, fewer Americans are expected to travel abroad in 1986, and many may opt to spend their leisure time at recreational facilities in the U.S. In addition, improved quality and variety of foodservice offerings in this segment will help strengthen sales in 1986.
- Better foodservice offerings at *recreational and sports centers* that operate their own foodservice -including *drive-in movies* and *bowling lanes*- should help increase per person expenditures and boost meal and snack sales in this category.
- Food and drink sales at *clubs, sporting and recreational camps* should continue to grow next year unless tax legislation reducing the deductibility of such expenditures is passed. In addition, recreational and sporting camps will benefit from skyrocketing real estate and camp costs.

Other foodservice outlook:

- *Retail hosts* will post strong foodservice sales gains due to growth in foodservice sales at convenience stores and grocery stores.
- *Mobile caterers* will benefit from strong employment in the construction sector and from good recreational demand.
- Sales for *vending and non-store retailers* will grow as this segment branches out from its traditional industrial plant base into non-traditional sites such as office complexes.
- *Community centers* will suffer due to funding cuts for public and community projects.

Health care foodservice sales: $11.8 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total health care foodservice	$11,202,476	$11,544,029	$11,794,575	2.2%	1.1%	1.7%
Contractors in hospitals & nursing homes	1,033,545	1,204,665	1,293,810	7.4	3.5	7.8
Hospitals	7,375,052	7,256,486	7,263,743	0.1	-3.1	-0.5
Nursing homes	2,793,879	3,082,878	3,237,022	5.0	1.8	5.0

Military foodservice sales: $932.6 million

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total military foodservice[1]	$766,522	$875,654	$932,587	6.5%	2.6%	6.8%
Officers & NCO clubs ("Open Mess")	506,248	578,520	615,546	6.4	2.5	6.7
Military exchange foodservice	260,274	297,134	317,042	6.7	2.8	6.8

[1]Continental U.S. only.

Transportation foodservice sales: $1.8 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total transportation foodservice	$1,378,863	$1,682,425	$1,833,675	9.0%	6.5%	10.0%
In-transit feeding: commercial airlines	618,900	757,075	825,369	9.1	6.6	10.1
Transportation*	759,963	925,350	1,008,306	9.0	6.4	9.9

*Includes sales on airlines, passenger cruise liners and railroads.

Recreational foodservice sales: $5.6 billion

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Total recreational foodservice	$4,507,998	$5,238,545	$5,633,928	7.5%	3.6%	7.7%
Recreation & sports centers:						
Contractors	$1,175,715	$1,368,786	$1,471,445	7.5%	3.6%	7.8%
Non-contractors	1,821,614	2,120,781	2,284,081	7.7	3.8	7.8
Subtotal	$2,997,329	$3,489,567	$3,755,526	7.6%	3.7%	7.8%
Clubs, sporting and recreational camps	$1,510,669	$1,748,978	$1,878,402	7.4%	3.5%	7.5%

*Includes sales at drive-in movies, bowling lanes and recreation and sports centers.
A proportion of food and beverage sales in clubs is business related.

Other foodservice sales

	($000)			1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
	1983	1985	1986			
Retail hosts	$4,451,414	$5,474,588	$6,076,804	11.0%	7.1%	10.9%
Mobile caterers	493,992	583,636	632,661	8.4	4.5	8.6
Vending & non-store retailers*	3,386,729	3,895,077	4,175,522	7.2	3.2	7.5
Community centers	374,228	390,466	401,008	2.7	-0.5	2.3

*Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.

For further information, contact:
National Restaurant Association
311 First Street, N.W., Washington, DC 20001
(202) 638-6100

1985-86 Officers

Ted Balestreri	*Chairman of the Board and President*
G. "Jim" Hasslocher	*Vice President*
Michael Grisanti	*Treasurer*

Foodservice—Number of units

Commercial Feeding	394,000
Institutional Feeding	166,000
Military Feeding	1,000

Foodservice sales have risen dramatically since 1970 . . .

Year	Sales (billion $)
1970	$ 42.7
1975	70.1
1983	152.0
1986	185.8

Foodservice Sales Projection, 1986: $185.8 billion

	Sales (billion $)
Commercial Feeding	
Eating Places	$120.0
Drinking Places	8.0
Foodservice Contractors	10.0
Hotel/Motel Restaurants	11.7
Other: Retail, Vending, Recreation	13.2
	$162.9
Institutional Feeding	
Business, schools, hospitals, nursing homes and others which operate their own foodservice	**$ 22.0**
Military Feeding	
Base exchange, officers' and NCO Club foodservice	**$ 0.9**

Foodservice—The number one retail employer . . .

- Employment in the foodservice industry equals more than 8 million persons.
- Two-thirds of the industry's employees are women and one-fourth are teenagers.
- Sixty-four percent of job openings will be filled by women and 49 percent will be filled by teenagers.
- Total annual foodservice wages and benefits equal nearly $51 billion.

Foodservice is a ladder to management opportunity . . .

- 31 percent of industry employees are managerial or administrative personnel.
- Foodservice employs more minority managers than any other retail industry.
- Half of all foodservice managerial and administrative personnel are women.

Foodservice—An integral part of our nation's economy . . .

- Foodservice will achieve a real gain in sales of 2.8 percent in 1986.
- Foodservice industry sales equal nearly 5 percent of the U.S. Gross National Product.
- Foodservice receives 40 percent of all consumer expenditures for food.
- Food and beverage purchases will total $72.5 billion in 1986.

Foodservice—First in daily customer contact . . .

- Individuals eat out an average of 3.7 times a week or 192 times a year.
- Over 45 billion meals are eaten in restaurants, school and work cafeterias each year.
- Eight out of 10 households report eating out regularly.
- Per person check equals $3.34.
- Breakfast is capturing a rising share—9.6 percent of the occasions in 1984 versus 8.4 percent in 1982.

Chains and franchises grow in importance . . .

- Chains with more than one unit account for $55.4 billion, or 46 percent, of eating place sales in 1986.
- Chains with 25 or more units contribute over $32.9 billion, or 27 percent, of eating place sales in 1986.
- Sales of franchise restaurants reached $38.7 billion in 1983, up from $4.6 billion in 1970.

Eating and drinking places are mostly small businesses . . .

- Seven out of 10 units have sales under $500,000.
- Most are single unit operations.
- About half are sole proprietorships or partnerships.
- The average sales per establishment for a full service restaurant was $393,698 in 1982.
- The average sales per establishment for a fast food restaurant was $335,551 in 1982.

The National Restaurant Association's on-going consumer research activities reveal . . .

- As income increases, consumers eat away from home more frequently and spend a greater proportion of their food dollar on meals away from home.
- Italian food is the best known, most tried, most frequently ordered and most likely to be ordered again ethnic food in restaurants.
- Chinese and Mexican foods rank #2 and #3 as popular ethnic foods in restaurants.
- Americans like to try new restaurants and new foods. Four out of 10 said they have been to a restaurant which specializes in pizza delivery, and one out of three have been to a place which specializes in barbecue.
- Patronage of restaurants specializing in pasta (35%), gourmet hamburgers (33%), diet or ete menu items (26%), Oriental fast food (25%) and Mexican broiled chicken (17%) is also high.
- Consumers like the convenience of take-out meals. Seven out of 10 have purchased a take-out meal or snack in the past month.
- The most popular take-out foods are hamburgers, french fries, chicken and pizza.
- The typical take-out more occurred in the past two weeks, occurred at a fast food place, was for lunch or dinner, the order was placed at the counter, the patron drove to the establishment, the establishment was less than 2 miles away.

1985-86 Foodservice Industry

1986 Sales	**$135.8 billion**
Units	**561,000**
Employees	**8 million**
Foodservice share of the Food Dollar	**40 percent**

NATIONAL RESTAURANT ASSOCIATION POCKET FACTBOOK

	1983 Estimated F&D sales ($000)	1985 Projected F&D sales ($000)	1986 Projected F&D sales ($000)	1985–1986 Percent change	1985–1986 Percent real growth change	1983–1986 Compound annual growth rate
GROUP I—Commercial Feeding[1]						
Eating places						
Restaurants, lunchrooms	$ 50,580,025	$ 58,444,122	$ 62,427,147	6.8%	2.9%	7.3%
Limited menu restaurants, refreshment places	39,494,133	47,129,314	51,229,564	8.7	4.8	9.1
Commercial cafeterias	2,920,486	3,273,444	3,479,671	6.3	2.4	6.0
Social cafeterias	1,147,827	1,301,600	1,394,014	7.1	3.2	6.7
Ice cream, frozen custard stands	1,174,244	1,375,857	1,470,791	6.9	3.0	7.8
Total eating places	$ 95,266,715	$111,524,337	$120,001,187	7.6%	3.7%	8.0%
Bars/taverns	8,157,044	8,238,418	8,040,696	-2.4	-6.3	-0.5
Total eating & drinking places	$103,423,759	$119,762,755	$128,041,883	6.9%	3.0%	7.4%
Food contractors						
Manufacturing & industrial plants	$ 2,393,792	$ 2,729,641	$ 2,890,690	5.9%	2.0%	6.5%
Commercial & office buildings	763,189	872,013	931,310	6.8	2.9	6.9
Hospitals & nursing homes	1,033,545	1,204,665	1,293,810	7.4	3.5	7.8
Colleges & universities	1,494,312	1,638,041	1,713,391	4.6	0.7	4.7
Primary & secondary schools	762,184	825,155	865,568	4.9	1.0	4.3
In-transit feeding (airlines)	618,920	757,075	825,969	9.1	6.6	10.1
Recreation & sports centers	1,175,715	1,368,786	1,471,445	7.5	3.6	7.8
Total food contractors	$ 8,241,656	$ 9,396,376	$ 9,992,203	6.4%	2.6%	6.6%
Lodging places						
Hotel restaurants	$ 6,449,722	$ 7,515,409	$ 8,044,095	7.0%	3.8%	7.9%
Motor hotel restaurants	1,119,269	1,286,201	1,364,768	6.4	3.5	7.6
Motel restaurants	1,791,301	2,073,810	2,226,198	7.3	3.4	7.5
Total lodging places	$ 9,360,292	$ 10,687,420	$ 11,713,561	7.6%	3.7%	7.8%
Retail host restaurants[2]	$ 4,451,414	$ 5,474,598	$ 6,076,804	11.0%	7.1%	10.9%
Recreation & sports[3]	1,821,614	2,120,781	2,284,081	7.7	3.8	7.8
Mobile caterers	493,992	583,636	632,661	8.4	4.5	8.6
Vending & non-store retailers[4]	3,386,729	3,895,077	4,145,522	7.2	3.3	7.2
TOTAL GROUP I	$131,179,456	$152,119,643	$162,916,715	7.1%	3.2%	7.5%
GROUP II—Institutional Feeding—Business, Educational, Government or Institutional Organizations Which Operate Their Own Foodservice						
Employee feeding[5]	$ 1,766,622	$ 1,986,425	$ 2,085,746	5.0%	1.1%	5.7%
Public & parochial elementary, secondary schools	2,577,861	2,707,756	2,806,214	3.6	0.5	2.9
Colleges & universities	2,931,304	3,188,812	3,327,742	4.2	0.3	4.3
Transportation	799,943	905,390	1,007,706	8.9	6.4	9.9
Hospitals	1,325,067	1,256,486	1,263,743	0.1	-3.1	-0.5
Nursing homes, homes for aged, blind, orphans, mentally & physically handicapped	2,993,879	3,082,878	3,237,022	5.0	1.8	6.0
Clubs, sporting & recreational camps	1,510,669	1,748,978	1,878,402	7.4	4.5	7.5
Community centers	474,228	390,406	401,008	2.7	-0.5	2.3
TOTAL GROUP II	$ 20,089,178	$ 21,287,131	$ 22,001,583	3.4%	0.1%	3.1%
TOTAL GROUP I & II	$151,268,634	$173,406,774	$184,918,298	6.6%	2.8%	6.9%
GROUP III—Military feeding[9]						
Officers & NCO clubs (Open Mess)	$ 506,248	$ 578,520	$ 615,545	6.4%	2.5%	6.7%
Foodservice—military exchanges	260,274	297,134	317,042	6.7	2.8	6.8
TOTAL GROUP III	$ 766,522	$ 875,654	$ 932,587	6.5%	2.6%	6.8%
GRAND TOTAL	$152,035,156	$174,282,428	$185,850,885	6.6%	2.8%	6.9%

Footnotes:

1. Data are given only for establishments with payroll.
2. Food and drink sales for non-payroll establishments totaled $2,092,506,000 in 1983.
3. Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, grocery store restaurants, gasoline service station restaurants, and miscellaneous retailers.
4. Includes theaters (movies), bowling lanes, recreation and sport centers.
5. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
6. Includes industrial and commercial organizations, voyaging and inland waterway vessels.
7. Includes voluntary and proprietary hospitals, long-term general, TB, mental hospitals, and sales of commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
8. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others at this grouping make no charge for food served either in cash or in kind.
9. Continental U.S. only.

1986 FOOD & DRINK PURCHASES

Food and drink purchases for the foodservice industry are forecast to reach $72.5 billion in 1986. Purchases in the Commercial Feeding Group, which account for 73.5 percent of the total amount spent, are estimated to equal $53.3 billion.

Highlights for 1986 food and drink sales:

- Eating places, which comprise the largest component of the Commercial Feeding Group, are projected to record food and drink purchases of $40.8 billion.
- Food contractor purchases are forecast to equal $4.0 billion. This group represents the largest component of the commercial segment outside of eating places in the amount of dollars spent.
- Purchases for the Institutional Feeding Group, which account for 17.4 percent of total industry food and drink purchases, should reach $12.6 billion.
- Hospitals, the largest food and beverage purchasers in the institutional segment, should record purchases of $3.3 billion.
- Food and drink purchases that will be provided to foodservice employees in both the Commercial and Institutional Feeding Groups are forecast to reach $4.3 billion.
- Military foodservice purchases are predicted to total $2.3 billion. Defense personnel expenditures represent the largest share of military foodservice purchases, totaling approximately $2.0 billion.

THE FOODSERVICE INDUSTRY FOOD AND DRINK PURCHASES PROJECTED TO 1986*

	Estimated food and drink purchases ($000)
GROUP I: Commercial Feeding[1]	
Eating places	
Total eating places	$40,839,777
Total eating and drinking places	$41,251,863
Food contractors	
Total—food contractors	$ 4,019,424
Lodging places	
Total—lodging places	$ 3,700,897
Other commercial	
Total—other commercial	$ 4,322,066
TOTAL—GROUP I	$53,294,250
GROUP II: Institutional feeding—Business, educational, government or institutional organizations that operate their own foodservice.	
TOTAL—GROUP II	$12,658,658
TOTAL—GROUPS I AND II	$65,952,908
TOTAL—GROUPS I, II AND FSE	$70,259,276
GROUP III: Military Feeding	
TOTAL—GROUP III	$ 2,270,964
GRAND TOTAL	$72,530,240

REGIONAL & STATE FORECAST

The National Restaurant Association for the sixth consecutive year has forecast eating place sales for each of the 50 states and the District of Columbia. Restaurateurs can use this information not only to compare the sales performance of their establishment with others in their state and region but also to plan ahead.

Eating place sales performance depends, in large part, on the economic situation in the area. Such factors as the area's industrial mix, income, population and employment growth all affect restaurant sales.

Regional highlights . . .

- Leading the nation with the most impressive sales gain in 1986 should be the West South Central region—up 8.9 percent. The Mountain and South Atlantic states should follow with advances of 8.5 percent and 8.3 percent, respectively.
- The Middle Atlantic region is expected to post the lowest sales increase next year—6.3 percent.
- The Pacific states should continue to outperform the other regions in terms of total restaurant sales. Sales are expected to reach $24.8 billion in this region in 1986. The South Atlantic region should come in second with sales of $22.1 billion, while the East North Central region should come in third with sales of $20.3 billion.
- Arizona is expected to boast the most substantial eating place sales increase of all the states, advancing 9.3 percent. Close behind should be Texas (9.2 percent), Florida (9.1 percent) and Alaska (9.1 percent).
- California is expected to outshine all other states in total restaurant sales in 1986—$18.6 billion. Texas is projected to rank second with sales of $10.5 billion, and New York, with sales of $9.8 billion, should place third.

The regional economies
Percent change: 1985–1986

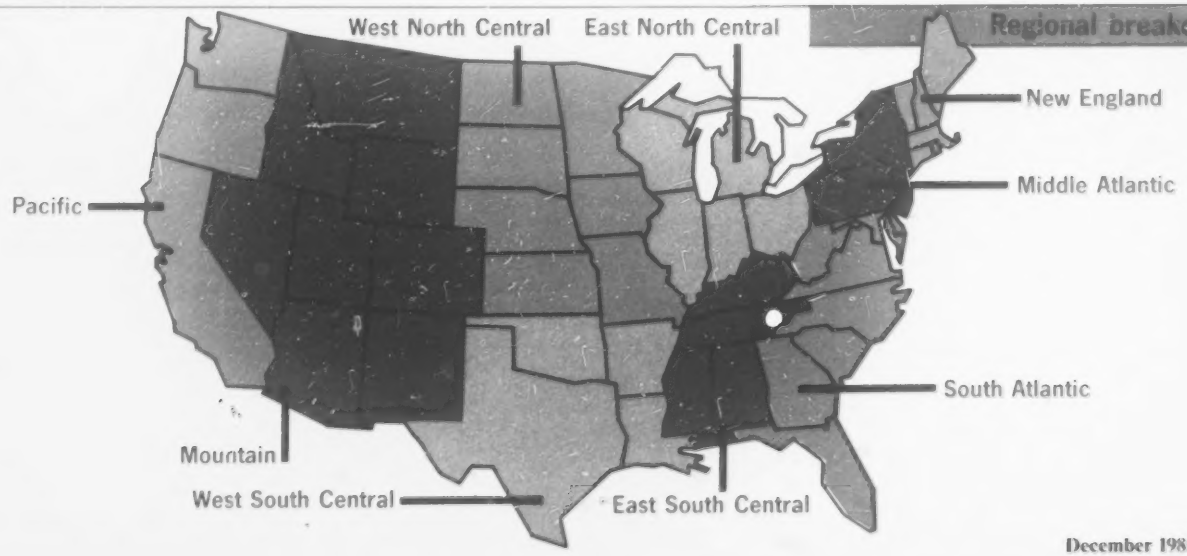
Region	Population	Total employment	Manufacturing employment	Personal income
Total U.S.	0.9%	2.2%	2.4%	4.0%

Source: National Eating Away-from-Home Economic Projections Service, NRA

Percent change in eating place sales by region 1985–1986

Region	Percent change
New England	7.9%
Middle Atlantic	6.3%
South Atlantic	8.3%
East North Central	6.6%
West North Central	6.8%
East South Central	7.6%
West South Central	8.9%
Mountain	8.5%
Pacific	7.5%
Total U.S.	7.5%

Regional breakdown



New England

Major industries
- High technology
- Defense
- Manufacturing
- Service
- Textiles and apparel
- Tourism

Outlook
- The region has a diverse industrial base—dominated by the booming high-tech industry.
- The area's rapidly growing service sector should benefit from the growing need for research and development as well as data processing services.
- Many of these states plan to increase their tourism budgets, which should affect the region positively.
- The ailing textile and apparel industry will probably remain a sore spot on the New England economy as the strong U.S. dollar continues to hamper exports.
- Employment, population and personal income gains should outpace the national average.
- Total eating place sales for the region are forecast to reach $8.8 billion, a 7.9 percent increase from the prior year.
- New Hampshire is projected to have the greatest eating place sales increase in the region—8.4 percent, followed by Vermont with an 8.3 percent advance.
- With sales of $4.7 billion, Massachusetts should easily be the top performer in the region in terms of eating place sales. Connecticut should place second with $2.0 billion.

Middle Atlantic

Major industries
- Finance
- Service
- Manufacturing/ heavy industry
- High technology
- Tourism

Outlook
- High technology is playing a larger role in the area's economy as states are moving away from the heavy industries, such as steel.
- The strength of the region's finance sector should continue and this should, in turn, spark the region's growth.
- The electrical equipment and non-electrical machinery sectors should continue to make healthy gains.
- The region's total employment should advance a modest 1.5 percent in 1986, while personal income is expected to rise 3.0 percent.
- Eating place sales are projected to advance 6.3 percent to $19.1 billion in 1986.
- Eating place sales in New Jersey are expected to outpace the rest of the region, advancing 6.4 percent, slightly above the regional average.
- New York is forecast to record eating place sales of $9.8 billion in 1986, a 6.2 percent gain.

South Atlantic

Major industries
- Service
- Textiles and apparel
- High technology
- Defense
- Tourism
- Steel

Outlook
- A varied mix of service-related industries in the region should help keep the economy healthy.
- The continued expansion of high-tech firms in the area will undoubtedly benefit the region.
- Increased spending for defense should have a positive influence on the area's economy.
- Competition in foreign markets due to the strong U.S. dollar is expected to continue to hurt the region's textile industries.
- Population, employment and income growth should be well above the national average.
- The region's eating place sales are forecast to rise 8.3 percent in 1986 to $22.1 billion, the third strongest advance in the nation.
- Florida should rank first in the region in eating place sales growth—up 9.1 percent, considerably above the 8.3 percent regional average and the 7.5 percent national average.
- Other states in the region that should post above average advances in eating place sales include: South Carolina (up 8.8 percent), North Carolina (up 8.7 percent) and Georgia (up 8.4 percent).

East North Central

Major industries
- Automobile
- Steel
- Rubber
- Agriculture
- Robotics

Outlook
- The automobile industry should continue to be healthy, and this will benefit the steel and rubber industries.
- Agricultural industries will probably continue to face hard times as the farm crisis is expected to worsen.
- The growing presence of robotics industries in the region should prove to be a bright spot on the region's economic picture.
- Personal income, population and employment should increase at a slower pace than the national average.
- Eating place sales are projected to reach $20.3 billion, a 6.6 percent advance over the year before.
- Michigan is expected to top the region with a 7.0 percent increase in eating place sales. Indiana should follow close behind with a 6.9 percent advance.
- In terms of eating place sales, Illinois should lead the region with sales of $5.6 billion. Not far behind should be Ohio, which is projected to record sales of $5.3 billion in 1986.

East South Central

Major industries
- Housing
- Automobile
- Defense
- Textiles and apparel
- Paper

Outlook
- The housing sector should benefit from lower interest rates.
- The region's automobile industries should experience healthy gains.
- Defense-related businesses, especially electrical and electronic machinery and equipment firms, should help boost the area's economy.
- Growth in the textile and apparel industries should continue to be frustrated by the strong U.S. dollar.
- The region's strongest growth is predicted to be in manufacturing employment, which should advance 2.7 percent compared to 2.4 percent for the entire U.S. Personal income, total employment and population, however, should increase at a lower pace than the national average.
- Eating place sales are expected to advance 7.6 percent to $5.9 billion. This approximates the national average.
- Eating place sales should post the most significant increase in Tennessee, jumping 7.9 percent.

Percent change in state and regional economic indicators: 1985–1986 Eating place sales

	State	Percent change: Population	Total employment	Manufacturing employment	Personal income	($000) 1985	1986	Percent change
New England								
	Total region	1.2%	2.6%	2.0%	4.1%	$8,191,908	$8,842,386	7.9%
Middle Atlantic								
	Total region	0.5%	1.5%	0.7%	3.0%	$17,973,644	$19,100,416	6.3%
South Atlantic								
	Total region	1.3%	2.4%	2.8%	4.6%	$20,392,554	$22,077,659	8.3%
East North Central								
	Total region	0.6%	1.4%	1.2%	3.2%	$19,058,019	$20,319,081	6.6%
East South Central								
	Total region	0.5%	1.3%	2.7%	3.7%	$5,518,253	$5,936,102	7.6%
West North Central								
	Total region	0.6%	0.9%	2.5%	2.8%	$7,730,035	$8,233,969	6.5%
West South Central								
	Total region	1.3%	3.0%	4.5%	5.4%	$14,789,634	$16,100,322	8.9%
Mountain								
	Total region	2.0%	3.6%	5.6%	5.5%	$6,651,246	$7,217,739	8.5%
Pacific								
	Total region	1.5%	3.1%	3.4%	4.4%	$23,053,860	$24,790,691	9.1%

Source: National Planning Association Regional Economic Projections Series, NPA

West North Central

Major industries
- Agriculture
- Farming equipment
- Automobile
- Defense

Outlook
- The agriculture sector can expect to experience another year of low prices, excess production and mounting debts.
- A poor performance from the agriculture sector will undoubtedly dampen growth in farming equipment industries.
- Increased demand from auto and defense industries should help lift the area's economy.
- Manufacturing employment in the region should record an above-average gain. Population, total employment and income, however, are projected to advance at a slower than average pace.
- Eating place sales are forecast to climb 6.5 percent to $8.2 billion, well below the national average.
- Minnesota will post eating place sales of $2.1 billion in 1986, up 7.2 percent from 1985. This represents the strongest increase in the region. North Dakota, with sales of $282 million, also will record an impressive 7.0 percent advance.
- Missouri will lead the region in total restaurant sales in 1986—$2.6 billion.

West South Central

Major industries
- Oil and gas
- Defense
- Chemicals
- Finance

Outlook
- The regional economy is predicted to be dampened by low demand and falling prices for oil and gas.
- The area's aerospace, fabricated metals and machinery industries should benefit from increased defense spending.
- The chemical sector is expected to show strong growth in 1986.
- The region should post the second best economic performance in the country. Population, employment and income are all expected to record significant increases.
- Eating place sales should make the most significant gain in the nation—jumping 8.9 percent to $16.1 billion.
- Eating place sales should climb a substantial 9.2 percent in Texas to $10.5 billion, the greatest advance in the region. Not far behind should come Oklahoma with a 9.0 percent increase.

Mountain

Major industries
- High technology
- Defense
- Mining
- Construction

Outlook
- The area's high tech sector continues to thrive, boosting the regional economy.
- Construction activity throughout the region is booming. Lumber and other construction-related industries should fare well as a result.
- Although the mining industries are predicted to remain stagnant in the coming year, the region should post the best economic performance in the country in 1986. Significant advances in population, employment and income will spur growth.
- Eating place sales should jump a substantial 8.5 percent to $7.2 billion in 1986.
- Arizona should lead the region and the nation with the most impressive eating place sales advance—up 9.3 percent to $1.8 billion. Other states in the region recording higher than average increases will be: New Mexico (up 9.0 percent), Colorado (up 8.9 percent) and Wyoming (up 8.8 percent).
- In terms of total sales, Colorado should rank first with $2.3 billion in 1986.

Pacific

Major industries
- Electronics/high technology
- Aerospace
- Defense
- Lumber
- Agriculture
- Tourism

Outlook
- Continued growth of high tech and electronic firms in the region should benefit the economy.
- Lower interest rates and increased housing starts should help the region's lumber industry.
- Defense-related companies are expected to fare well as the government continues to increase defense spending.
- The relatively strong U.S. dollar may continue to hinder foreign tourism.
- The region should post higher than average gains in population, employment and personal income.
- The region is expected to record eating place sales of $24.8 billion, the greatest amount in the country. This represents a 7.5 percent advance over 1985.
- Alaska should lead the region with the largest increase in eating place sales, up 9.1 percent to $512 million. Washington should place second with a 7.7 percent advance, and California should come in third with a 7.6 percent gain.
- California should lead the region and the nation in 1986 in total restaurant sales—$18.6 billion.

HOW THE REGIONAL FORECAST WAS PREPARED

The economic and sales data for the states have been arranged according to the nine census regions. Included for each state are revised eating place sales for 1985, projected 1986 sales figures and information on personal income, employment and population data. Much of the economic data in this report is based on information obtained from such sources as the Bureau of Economic Analysis, National Planning Association and the Chamber of Commerce.

The estimates for eating place sales used here were prepared in consultation with the research firm Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends between 1972, 1977 and 1982 form the basis for these projections. Special attention was paid to growth trends between 1977 and 1982 for refreshment places (fast food) and restaurants and lunchrooms for each state. These sales figures were then modified to reflect current and projected income and population data.

A few reminders . . .

Here are a few things to keep in mind when using the regional sales figures in this report.
- Sales projections for 1985 are based on the best available data in September 1985. If the outlook for general economic conditions or the food situation changes significantly in 1986, these projections will require adjustment.
- Adjustments were made to arrive at a pre-determined U.S. total.
- Sales figures for each state are subject to greater error than the national projections.
- *The actual sales figures are a better indication than percent changes of the size of the restaurant industry in respective states.* Actual sales figures represent an overall allocation of total sales in the U.S., while percent changes are subject to more variation. Percent changes have been shown here as a convenience to Forecast readers.
- The sales information for states and regions are for all establishments. They represent the U.S. census definition of eating places (SIC Code 5812) and include figures for operations with payroll and without payroll as well as contract feeding. As a result, the sales figures for states and regions will not equal the total for eating places.
- Regional projections were not done separately, and, as a result, regional totals are sums of state data.

A LOOK BEYOND 1986

The foodservice industry faces a positive but challenging future for several years to come, according to a futuristic research project completed by the National Restaurant Association.* A panel of experts predicted that the restaurants of 1990 will flourish, thanks to a strong economy and a growing consumer market. However, they also felt that restaurants will have to confront some potentially negative developments in the areas of government regulation and legislation as well as labor shortages.

The structure of the industry will be in flux as operators integrate new technology, diverse food items and innovative cooking equipment into their operations.

The consumer in 1990 . . .

The consumer demographic and lifestyle trends discussed earlier in this report will continue, and this is good news for the industry as it prepares itself for the latter half of the decade. The consumer of the late 1980s will be able to eat out and will enjoy the convenience of meals prepared outside the home. Restaurant patrons will continue to have a strong interest in healthy, nutritious food, a desire for variety and quality and an insistence on receiving value for their money. Restaurateurs will be constantly challenged by these consumers during the remainder of the decade. Those who are successful in providing the food, service and atmosphere desired will survive and prosper.

The economic outlook . . .

Economic growth is expected to continue through the remainder of the decade. Real GNP should average yearly gains of 3.1 percent through 1990, and real disposable income is expected to post yearly increases of 3.2 percent. It should be noted that the economy is expected to slow in 1987, although most feel that a full-fledged recession will be avoided. Inflation will heat up slightly during the remainder of the decade—averaging a moderate 4.5 percent.

NRA's panel of experts agrees with this forecast. They foresee stable economic growth, moderate inflation and no recession.

This favorable economic outlook should have a positive effect on foodservice. Panelists feel that real sales (adjusted for inflation) will continue to be positive. In addition, operators will be able to hold down many fixed costs, such as those for food, rent and utilities.

The labor market in 1990 . . .

Restaurateurs will be working hard to promote the dynamic career opportunities in foodservice throughout the remainder of the decade. Good, experienced personnel will be harder to find. The supply of workers from the teenage population will dwindle, and operators will turn increasingly to women, senior citizens and handicapped individuals to fill jobs in all categories. These groups will be more demanding—wanting part-time schedules, improved working conditions and better benefits. In the tight labor market of the late 1980s, operators will have to concentrate on promoting and enriching the work lives of current employees rather than depending on a ready supply of new workers.

Increasing government regulation and legislation . . .

The federal government will probably consider important actions dealing with the minimum wage, tips and the deductibility of the business meal during the next few years. The consequences of such action are generally considered undesirable for the industry, causing labor costs to rise, more administrative burdens and a possible reduction of jobs and sales.

In summary . . .

Despite the threats of increased government regulation and labor problems, a basic optimism about the future of foodservice prevails. Changes will come rapidly, but the opportunities for innovation and profitability will be great.

1990 in a nutshell

These important developments will affect the industry . . .

- stable economic growth
- rise in personal income
- higher minimum wage
- FICA and FUTA taxes on tips
- reduced tax deduction for business meals
- more labor-saving equipment

Some consequences are likely to be good . . .

- rise in real sales
- improved working conditions and career opportunities
- prosperous consumers who dine out frequently

. . . while others are more ominous . . .

- loss of customers and jobs, resulting from change in business meal deduction
- loss of jobs and higher wages, resulting from a rise in the minimum wage
- rising cost of liquor liability insurance as dram shop laws increase
- cost burden of complying with more regulations
- more use of prepared foods.

Source: *The Restaurant Industry in 1990,* National Restaurant Association, October 1985.

** NRA's study was based on a well-respected method for studying the future called the Delphi technique. In this technique the research subject lends itself to subjective judgments by a group of experts (in this case, the NRA Board of Directors), rather than to precise analytical techniques.*

Project participants were sent two questionnaires. The first asked them to list issues they believed would be vital to the industry in 1990. The second asked them to rank the issues according to importance and likelihood of occurrence. The results are reported in detail in The Restaurant Industry in 1990.

1985 UPDATE

Industry sales to reach $174.3 billion in 1985

How did the foodservice industry fare in 1985? Since the industry's performance during 1985 directly affects upcoming trends, this brief review of 1985 helps lay the groundwork for what is to come in 1986.

NRA's updated 1985 forecast reveals that the industry will post a gain in inflation-adjusted sales, but the gain will not be as robust as originally forecast. Although the economy has picked up steam in the second half of 1985 and the inflation rate continues to rise at a moderate pace, several other factors have hampered the industry's rate of expansion. Consumers continued to make major durable goods purchases. As a result, they increased their debt load in 1985 and put a squeeze on income available for entertainment and restaurant meals. In addition, the unemployment rate remained at a relatively high level because the manufacturing sector was not expanding as rapidly as had been anticipated.

Mother Nature had a dampening effect on the industry in 1985. Extremely harsh winter weather not only kept consumers at home but also forced many establishments to shut down for days. A nationwide cold spell affected much of the country in early 1985, with temperatures ranging 5° F to 10° Fahrenheit colder than normal. The Great Lakes and Great Plains states were especially hard hit. NRA estimates that approximately 0.5 percent of real sales growth was lost because of the cold January and February weather.

CREST data help to underscore some of the reasons behind NRA's downward revision. According to CREST, traffic at the nation's restaurants increased a slight 1.1 percent in the winter quarter, followed by a 1.1 percent decline in the spring. During this time, the general economy was posting only slight gains. However, during the summer, traffic was up a healthy 4.0 percent and is expected to make a good showing in the fall due, in large part, to the pick up in the general economy in the last half of the year.

Promotional usage was down in the winter, according to CREST, but during the spring and summer quarters of 1985 the proportion of restaurant visits on which a deal was used increased over the same quarters in 1984. One reason for this may be that consumers made major durable goods purchases during the year which reduced the amount of money they had to spend on eating away from home. Therefore, consumers turned to promotional coupons and other discounts offered by restaurants in order to get the best value for their money.

Foodservice industry food and drink sales 1984–1985

	($000)		Percent change	
	1984	1985	Current dollars	Constant dollars
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total industry sales	$164,598,168	$174,282,428	5.9%	2.1%

Highlights of industry performance in 1985:

- The quick service segment posted consistent traffic gains in 1985. Customer counts were up 3.7 percent in the winter, 2.5 percent in the spring and jumped a resounding 6.7 percent in the summer.
- Midscale restaurants posted traffic declines in the first three quarters of 1985, compared with the same quarters last year. Traffic was down 4.1 percent in the winter and an even lower 7.6 percent in the spring. However, summer quarter traffic counts were down only 0.9 percent, thanks to good business at midscale, family style, sandwich and Mexican restaurants.
- Upscale restaurant traffic was up a slight 0.7 percent in the winter but declined 4.4 percent in the spring. Traffic fell 0.2 percent in the summer months.

Foodservice industry sales are now expected to reach $174.3 billion in 1985, an increase of 5.9 percent in current dollars and 2.1 percent in constant dollars, according to NRA's revised forecast. Sales for the **Commercial Feeding Group** are now projected to total $152.1 billion, up 6.4 percent from 1984 sales of $143.0 billion. In terms of real growth, this is a 2.5 percent gain. The **Institutional Feeding Group** should post sales of $21.3 billion, a 2.3 percent increase. **Military Feeding Group** sales should reach $876 million, up 6.8 percent from sales of $820 million recorded in 1984.

Eating place sales should climb 6.7 percent in 1985 to $111.5 billion. In real dollars, sales should advance 2.8 percent. **Restaurant and lunchroom** sales are now expected to reach $58.4 billion, up 6.0 percent from 1984. The increase in real dollars is 2.1 percent. Sales for **limited menu** (fast food) establishments are projected to reach $47.1 billion, a hefty 7.8 percent gain. Real sales, after adjusting for inflation, should advance 3.9 percent.

NRA now expects menu prices to rise at a more moderate 3.9 percent in 1985. More modest advances in food prices and overhead costs have helped keep menu price inflation down in 1985.

CONSUMER DINING POLL

Consumers satisfied with frequency of eating out

Consumers' dining out frequency is a major factor affecting customer traffic counts. Did your patrons dine out as frequently as they would like in 1985? What is your potential market in 1986? Find out in this report.

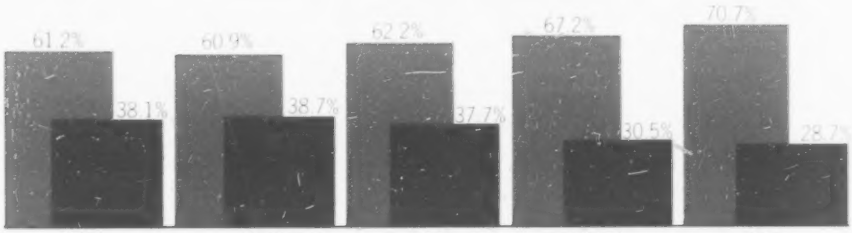
The overall health of the economy, rising consumer incomes and increasing consumer confidence have all had a positive effect on the public's ability to eat out. This conclusion is based on results from a survey conducted each September by the Gallup Organization for the National Restaurant Association. As the economy has improved over the past several years, consumers have become more satisfied with their frequency of dining away from home. NRA's satisfaction index now stands at 70.7 percent, and this means that on a weekly basis seven out of 10 consumers report they are eating out as often as they would like.

This 70.7 percent positive response is the highest level reached during the five years that the National Restaurant Association has been conducting this survey. It is approximately 10 percentage points greater than the level recorded during the recession years of 1981 and 1982 and substantially above the 67.2 percent response in the 1984 survey.

Increased satisfaction with eating out frequency is most noticeable in several demographic groups which are typically considered having the most likely individuals to curtail eating out when times get bad. Those with the largest jump in satisfaction between 1984 and 1985 include:

- People who eat out less than once a week (64.7 percent versus 72.2 percent)

On a weekly basis, are you eating out as often as you would like?



Source: National Restaurant Association

Percent of women satisfied with frequency of dining out occasions by income

Year	Under $15,000	$15,000–$19,999	$20,000–$29,999	$30,000 and over
1981	53.6%	57.2%	62.4%	73.3%
1982	50.0	61.1	56.6	64.7
1983	45.8	67.7	61.8	71.6
1984	57.2	53.3	68.4	79.7
1985	67.1	61.8	65.2	78.6

Source: National Restaurant Association

Percent of women satisfied with frequency of dining out

Year	Employed full time	Employed part time	Not employed
1981	59.2%	44.5%	56.0%
1982	63.9	68.4	42.8
1983	60.0	80.6	49.5
1984	68.9	60.7	59.0
1985	67.4	59.6	65.8

Source: National Restaurant Association

Desired increase in weekly visits by restaurant type

Demographic group	Fast food	Family style	Upscale
Sex			
Male	2.6	2.0	2.3
Female	2.6	2.0	2.0
Age			
18–24	2.8	2.1	2.4
25–34	3.0	2.1	1.8
35–49	2.8	2.1	2.2
50–64	1.6	1.7	1.5
65 +	2.3	2.2	1.9
Marital status			
Married	2.2	1.6	2.0
Not married	3.1	2.5	2.4
Income			
$30,000 and over	2.0	1.5	2.4
$20,000–$29,999	2.2	2.0	1.9
$15,000–$19,999	2.8	2.1	2.0
Under $15,000	3.5	2.3	2.0
Female Employment			
Full time	3.3	2.2	2.3
Part time	2.8	2.0	2.4
Not employed	1.7	1.6	1.6
Number of times eat out per week			
None	3.0	2.1	1.9
1	2.4	1.2	2.0
2 to 3	2.7	2.5	2.6
4 or more	3.5	2.7	3.1
Total respondents	2.5	2.0	2.1

Note: Average desired increases are not additive because respondents were queried about each restaurant type independently.

Source: National Restaurant Association

- Households with five or more persons (54.7 percent versus 65.4 percent)
- Households with annual incomes under $15,000 (59.0 percent versus 65.8 percent)
- Singles (67.0 percent versus 74.9 percent)
- Midwesterners (64.7 percent versus 72.2 percent)
- Individuals 65 and over (70.6 percent versus 77.8 percent) and
- Households where the female head is not employed outside the home (59.0 percent versus 65.8 percent).

However, some very important demographic segments reported a slightly lower satisfaction index in 1985 than in 1984. These include households with annual incomes over $30,000 (79.7 percent versus 75.9 percent), households with annual incomes between $20,000 and $29,999 (68.4 percent versus 65.2 percent) and households where the wife or mother works full time (68.9 percent versus 67.4 percent). These households have increased their purchases of large durable goods purchases this year, and this has increased their debt load. As a result, they may feel they have less discretionary income to spend on entertainment and restaurant meals.

Many want more meals at fast food places . . .

Fewer than three out of 10 consumers surveyed (28.7 percent) reported they were not eating out as often as they would like. This is down from 30.5 percent in 1984 and a considerable improvement over the 38.1 percent recorded in 1981.

NRA also asked those who said they were not eating out often enough to specify how many more times a week they would like to eat at a fast food, family style and upscale restaurant.

The highest mean number of desired increased visits was reported with respect to fast food outlets—2.5 more times per week versus 2.1 times for upscale restaurants and 2.0 times for family style establishments. This would seem to indicate that the consumer would like to eat more "necessary" meals away from home. NRA research shows that the reasons for eating at fast food restaurants are likely to be convenience and lack of time as opposed to more discretionary reasons, such as celebrating an event or having a social evening out with friends.

Interestingly, the number of desired visits to quick service outlets increases with the overall frequency of eating out. That is, the mean number of desired visits to fast food restaurants among those who do not eat out in an average week (2.0) or just once a week (2.4) is noticeably lower than that of diners who eat out two or three times a week (2.7) and those who eat out four or more times (3.5).

Sylvia Adams *Bette Hirst*
Susan Ackerman *Claire Regan*

HOW THE NRA FORECAST WAS PREPARED

NRA's initial projections for 1986, revised projections for 1985 and revised estimates for 1983 are published here. Comparable historical sales data encompassing the entire period from 1970 through 1985 are being prepared and will be published in a new *Foodservice Sales Panorama* in early 1986.

NRA's annual industry forecast for 1986 includes both nominal and real percent changes in sales for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, the projected percent increase in menu prices is subtracted from the percent increase in sales. For drinking places, it is necessary to make a special estimate of the inflation factor, which is weighted more heavily toward alcoholic beverages.

For other industry sectors, such as colleges and universities where expenses are largely determined by food costs, a modification of the Producer Price Index for food is used. Modifications to this index are based on historical patterns for each industry sector. The food cost component thus constitutes the base percent increase, which is adjusted to reflect population changes and other pertinent factors, such as labor and overhead costs.

To arrive at real 1986 sales figures for the total foodservice industry as well as for the Commercial and Institutional Groups, current 1985 sales were multiplied by the respective 1986 real growth factors. The real sales figures for each of these sectors were added and compared with 1985 sales to obtain overall real growth for the industry and the two major segments.

A word of caution . . .

Sales projections are based on the best data available in October 1985. If the outlook for general economic conditions or the food situation changes significantly in the coming year, NRA's projections will require adjustment. In addition, the performance of individual companies or sales in local market areas may differ substantially from the U.S. outlook.

Editor's Note: Questions concerning this report or requests for additional copies should be directed to the National Restaurant Association, Research Department, 311 First Street, N.W., Washington, DC 20001; (202) 638-6100 or (800) 424-5156.

Supermarkets Offer Half-baked Delicacies

Restaurants are not the only ones making a play for the gourmet takeout market. Here is a look at the way supermarkets are trying to top the scales in their favor.

by Ellen Brown

Beef Wellington, veal paupettes, chicken breasts in phyllo dough and shish kebabs of marinated lamb sound like the menu of a fine restaurant. But now these foods, among many others, are showing up in supermarket meat cases next to ground chuck and pork chops.

They are part of a growing trend:

Supermarkets across the USA are offering semiprepared foods, raw or partially cooked options that require more attention than popping a frozen entree into the oven but less skill than making the dish from scratch.

The new category of foods combines our desire for more flavorful and interesting foods with a modern lifestyle that values time as much as money.

In some ways, the trend started in the mid-70s with ready-to-bake fresh pizzas in the deli cases; now it extends to freshly made sandwiches in convenience stores.

"We call it 'step cooking' since we're removing many of the time-consuming steps previously done by cooks and telling them how to do what's left," says Ann Brody, food coordinator of the trendsetting Someplace Special Giant Gourmet in McLean, VA, part of the Giant supermarket chain, based in the Washington, DC, area.

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" 'Supermarkets of the 70s took all the fun out of eating by not presenting enough options, so people started eating out more. We're now trying to combat the flow of dollars spent eating away from home by making eating appetizing meals possible at a lower cost than restaurants.' "

"They can still personalize the dish in their own way, adding an herb or sauce to suit their own tastes, but they know that within 30 minutes they will have fabulous fresh food on the table," she says.

Dishes such as sesame chicken ($5 per pound) and veal cordon bleu ($10 per pound) are popular with Giant's customers, and the step-removing philosophy extends to selling stocks to reduce time needed to make soup and sauces.

Giant, which opened Someplace Special in 1982 and is adding semiprepared foods to other stores in the chain, is not alone:

- King Soopers, a chain of 63 supermarkets in the Denver, CO, area, replaced meat cutters with chefs at a half-dozen stores in 1984 and plans to continue the transformation this year.
- King's in New Jersey (an unrelated chain) has hired noted restaurant consultant Joe Baum to redesign their stores and train personnel to stock the cases with semiprepared foods.
- The Irvine Ranch Farmer's Market in Beverly Hills, CA, draws celebrities, such as Charlton Heston and Dinah Shore, to the counter selling stuffed game hens ($4.50) and teriyaki steaks ($5).
- Mack's Market in the redeveloped area of Baton Rouge, LA, extends the concept to partially baked breads and crawfish stuffing for the bayou fishermen's daily catches.
- And Kroger's, the USA's second largest supermarket chain (with 1,300 stores in 31 states), offers cooked pork and beef roasts to be finished at home in a microwave oven. These options complement the stuffed shrimp and partially baked lobsters offered in the chain's 400 seafood shops.

"We see a great future in simplifying fresh items that traditionally take advanced cooking skills, preparation time or slow cooking," says Audrey McCafferty, manager of Kroger's corporate news. "With more two-earner families, there's no time—even with microwave ovens—to prepare something from scratch, but people can get awfully tired of steaks and chops."

It's the appeal of the fresh ingredients that draws customers, such as Diane Sappenfield, a former hotel public relations director and now a graduate student in business, to the Giant Gourmet.

"This food still gives me a sense of integrity," Sappenfield says. "I don't trust frozen food because I don't know what's been added, and the fact that this is fresh means it's more natural."

Her feelings are shared by Linda Berliner, a fellow shopper: "With these dishes I never get stuck in any kind of rut, and I use them for entertaining and will fill out the meal with dishes from scratch."

". . . about half of those buying semi-prepared foods would have gone to the freezer section for entrees a few years ago, and the remainder would have been dining on simpler foods or going out to a restaurant."

Berliner keeps stock in her freezer at all times and uses vegetables cut up as part of supermarket salad bars to save preparation time for stir-fried dishes.

Freshness is one key element. Shoppers also look for:

- **Variety.** "There's a movement away from steaks and chops to more international flavors, and we make it possible to have these without having to buy all the specialized ingredients you'd need to do it at home," says Mitch Darin, general manager of City Market at Century Center in Chicago.

He says that for the occasional cook, the few extra cents per pound for already marinated shish kebabs is more than offset by the cost of stocking up on all the ingredients to prepare a home marinade.

- **Food value.** "Supermarkets of the '70s took all the fun out of eating by not presenting enough options, so people started eating out more. We're now trying to combat the flow of dollars spent eating away from home by making eating appetizing meals possible at a lower cost than restaurants," says Bill Bogges executive vice president for King Soopers.

For example, the eight-ounce individual Beef Wellington from City Market for $10 costs about 50 percent less than a comparable restaurant serving.

"There's no waste with these foods, and most of them are sold in portions rather than by the pound, since people today don't want leftovers," Brody says. "They want to eat at home tonight, and that's all they have to buy. People who are not involved with cooking don't have the extensive pantries we did years ago, but with the general elevation in taste, they want flavor at every meal."

- **Service.** Although semiprepared foods are a new component of the supermarket scene, they reflect a shift back to old-fashioned personalized service, says New York food consultant Clark Wolfe. "My grandmother remembers when butchers were real people, not faceless gnomes who put plastic trays in a refrigerator.

"The key to the success of this service is getting real cooking people into the current deli kitchens and training the present staff at a professional school to redirect their thinking."

His guess is that about half of those buying semiprepared foods would have gone to the freezer section for entrees a few years ago, and the remainder would have been dining on simpler foods or going out to a restaurant.

"While even advanced cooks I know are buying these foods to save time, I see them as a whole new step in the evolution of the supermarket," Wolfe says. "At the same time that frozen food companies are trying to woo customers with gourmet options to the TV dinner, supermarkets are taking a cue from their competition and offering flavor with freshness." ❑

Editor's note: *Soup and salad bars are another way supermarkets are wooing consumers. For an in-depth look at salad bars and how they are flourishing in restaurants, see the February 1986 issue of the* **NRA NEWS**.

Planning Ahead for Long-Term Profit

Although the tendency is to regard strategic planning as a function only of large corporations, no operation is too small to benefit from a plan.

by Anne Papa

After a lifelong career in the appliance business, David Leatherby decided to open an old-fashioned ice cream parlor in his hometown of Sacramento, CA, so he could "retire, settle down, spend more time with my family." What he did not anticipate was that Leatherby's Family Creamery, opened in 1982, would be so successful. A year after he opened, Leatherby was receiving a dozen calls daily from investors interested in expanding and/or franchising the concept.

"I realized that I couldn't run my business on a day-to-day basis," Leatherby recalls. "I had to look beyond daily, weekly or even monthly calculations. I needed a long-term plan." So Leatherby sat down with his key employees, accountants and attorneys, and together they devised a five-year plan for the company. Today, there are 25 Leatherby's Family Creameries (average 175 seats) in California, Utah, Arizona, Nevada and Florida. Seventy-five more units are slated to open within the next five years.

Why plan ahead? . . .

Although expansion is one good reason to plan ahead, there are other reasons as well from employee motivation to concept longevity.

"The chief aim of strategic planning is not to make immediate sales but to build and maintain a strong and spreading consumer base for your restaurant," says Bill Dietrich, president of Retail Promotions Advisors, a Lubbock, TX-based consulting firm that specializes in strategic planning.

"Strategic planning is designed to (1) define long-term business growth and profit objectives in an uncertain environment, (2) establish the fundamental character of the restaurant business in term of industry segments served, customer focus and market position and (3) identify broad programs and set priorities for allocating manpower and capital resources.

"Operating your business without a strategic plan is like getting into your car without knowing where you are going," he adds.

The primary value of a written, long-term plan is that it puts everyone on the same road map. It helps establish strategies for effective and efficient future allocation of resources.

Within any company, large or small, the establishment of a written long-term plan disciplines the staff to think ahead and gives them an incentive to carry it through.

At Edward's Steak Houses, two Victorian dinner houses (average 145 seats) in the Los Angeles, CA, area, a long-term plan was developed just 18 months ago—even though the company has been in business 40 years. Company president Ken Rausch says that the plan was developed primarily for his employees. "My father, who began this business, is in the process of turning it over to me," he explains. "So in the midst of this transition we wanted to demonstrate to our employees that the stability of the company won't change." According to Rausch, a written plan enables him to show employees exactly where the business will be—and exactly where *they* could be—five or 10 years from now.

The step-by-step plan . . .

Although terminologies may differ, many experts agree that a model long-term plan can be broken down into four fundamental parts: research, goal setting, tactics/strategies and measures/results. But before any of these can be developed, it first must be determined *who* will be charting the future course of an operation.

The planning committee. An ideal plan involves all components of a restaurant's operations. A planning committee is often the best approach. According to Dietrich, such a committee must include on-site operations staff, financial staff, marketing staff and personnel staff. This cross-section of representatives means that every ma-

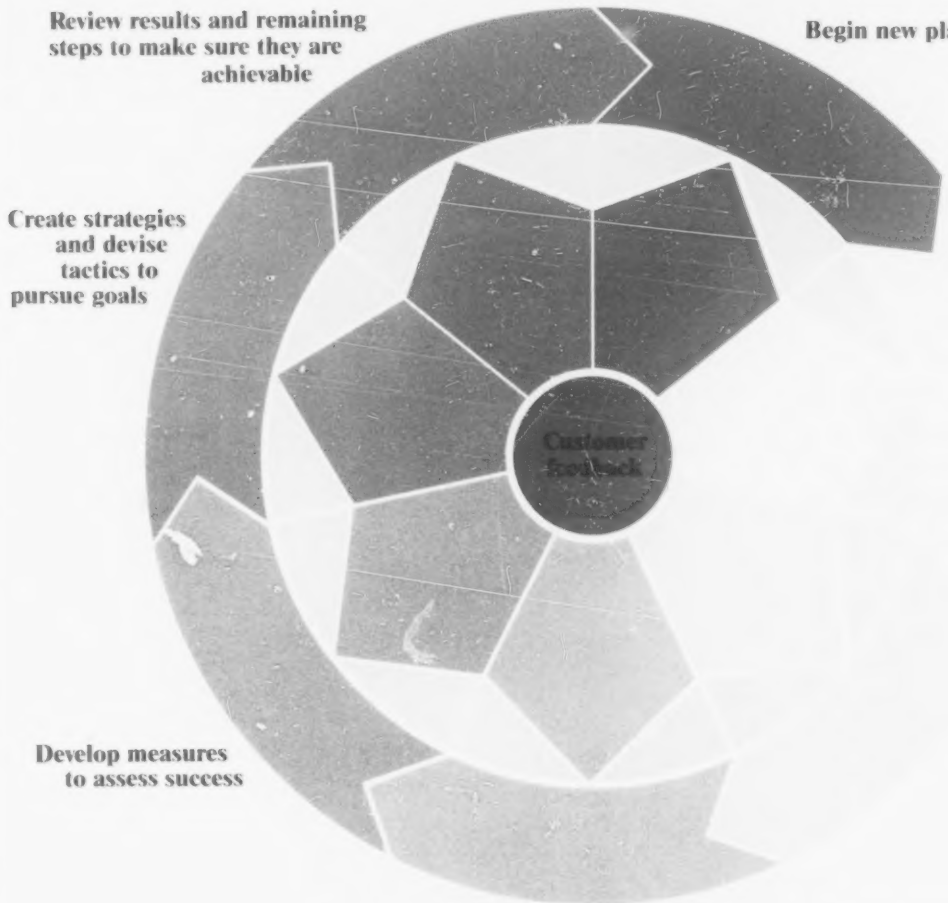
jor function of an operation will oe considered in the plan's development. Also, these functions are generally interdependent: A marketing plan must take budget constraints into consideration while accurate profit projections cannot be reached without salary estimates.

Of course, in a small operation one or two people may be in charge of all four components. One or two planners can be perfectly effective in these cases as long as all components are considered in the plan.

Outside consultants can also contribute greatly to a planning committee: from research to actual setup.

Finally, the committee meeting itself should be held away from the operation or office, far from ringing telephones and other distractions. For two days each year the 12 officers of Friendly's Ice Cream Corporation, headquartered in Wilbraham, MA, retreat to a nearby hotel to plan the future of the company's 750 units. "This isn't playtime," says NRA Director John F. Cauley, Jr., president and chief executive officer of Friendly's. "We don't bring our golf clubs with us. Because we have sweated it out together, we are all 100 percent committed to the plan."

Strategic planning steps*


Review results and remaining steps to make sure they are achievable
Begin new plan
Create strategies and devise tactics to pursue goals
Look at market and competition
Customer feedback
Review concept for consistency
Develop measures to assess success
Develop realistic, flexible short-term/long-term objectives

**Model developed by Julia Stewart, director of marketing, Spoons Restaurants, Inc., Sunnyvale, CA; and presented at the 1985 NRA National Conference on Marketing, Advertising and Promotions held in Chicago, IL.*

Research. Before a committee can begin to hammer out a long- term plan, preliminary research must be done to evaluate an operation's position in the marketplace. In other words, you cannot figure out where you are *going* until you know where you *are*.

NRA Research Manager Bette Hoyt recommends that operators research both their internal and external environments before developing a plan. "First, evaluate your company's history and performance," she advises, "and then identify outside competition and trends that may have an impact in the years ahead."

Basically, internal research consists of operational information used in your restaurant to keep track of sales and profits. It includes measuring sales trends, customer counts and preferences, demographics, popularity of menu items and rate of expansion. These can be tracked formally through in-house comment cards, direct mail surveys and daily sales tracking. Or research can be conducted less formally. Ken Rausch of Edward's Steak Houses says he found out about his customers' preferences simply by walking the floor and talking to them. "I found out a lot that way," he says. "For instance, customers kept telling me the restaurant needed more light. So we knew to incorporate some remodeling into our plan."

External research, on the other hand, consists of evaluating situations in your trading area (often within a five-mile radius of your location) that have and/or will affect sales. Competition, demographics, local and national economic trends and social changes are some examples. Any government regulations that might affect business should also be considered.

Tulsa, OK-based Ken's Restaurant Systems owns or franchises 270 pizza establishments in Oklahoma, Texas and Arkansas. Ken's operates three concepts: Ken's Pizza (casual, 100 seats), Mazzio's Pizza (upscale, 125 seats) and Scooter's Pizza Delivery. Before each concept was developed, the pizza business was researched extensively with a special focus on the Midwest region. Now before any unit is opened, the company examines the economics and competition in each expansion area. Comparative taste tests also are conducted. According to marketing director Greg Lippert, more than 200 pages of preliminary research are completed before any expansion area is seriously considered.

Goal setting. Once enough research has been accumulated—the amount varies from company to company—it is time to begin the process of developing a long-term plan. "How best to locate, serve, appeal to and fulfill the wants of the eat-out customer becomes the underlying driving force," says Dietrich. The key questions to ask are, "What is to be accomplished?" "How long will it take?"

At first, it is best to work with broad objectives. Set up a time frame—usually three, five or 10 years. Then identify what should be accomplished during that period. Once overall goals are established, go back and fill in the short-term objectives which will enable you to meet these goals.

Particularly if a company is new to strategic planning, the task does not seem so ominous if approached in general terms. Says John Cauley of Friendly's, "If you set too many initial goals, your plan seems unworkable and collects dust on the shelf. That is why our first plan was relatively simple. You don't need a Cadillac if you can build a Model T that works."

One company that has certainly built a "workable Model T" is Big 4 Restaurants, Inc., Phoenix, AZ, which owns or co-owns Oscar Taylor's (3 units, 310 seats), Lunt Ave. Marble Club (6 units, 150 seats), Pop's (1 unit, 240 seats), The American Grill (1 units, 150 seats), Ed Debevic's (2 units, 350 seats), LoPerchio's (1 unit, 240 seats) and Cicero's (1 unit, 120 seats). Although Big 4 is constantly approached with expansion opportunities because of its original concepts, the company has developed a five-year plan that sets a moderate, careful pace. "Our goal is to expand, but only into carefully selected markets," explains Terry Cera, public relations director. She underscores the importance of setting attainable goals.

Strategies/tactics. The next step in the planning process is the development of strategies and tactics. Strategies are the overall methods by which goals will be reached while tactics are day-to-day programs created by you to accomplish your objectives. Be sure to identify costs for each function and develop a budget.

"Brainstorming among committee members is very helpful at this stage," recommends Dietrich. "Of course, when you are laying out your marketing plan for the next six months, you will defer to the expertise of your marketing director. But you never know what ideas your financial person may have or your operations person." Strategies and tactics should be as detailed as possible but—again—not overwhelmingly so. Unforeseen occurrences may disrupt a marketing plan or slow down an expansion plan, so it is a good idea to allow some flexibility for adjustment.

At Leatherby's Family Creameries, the goal of the five-year plan is expansion—75 new units by 1990. But the plan's strategy centers around employees. Specifically, six management positions are considered essential in each new store. So the rate of expansion is contingent on how quickly these key employees can be recruited, trained and put to work. Meanwhile, the plan's tactics relate to the labor market in specific areas. For instance, before a recent unit was opened in Clearwater Beach, FL, the town was evaluated on the basis of its qualified labor pool.

Measures/results. Finally, the most vital aspect of a long-term strategic plan is that it is constantly subject to change. No matter how many years a plan is designed to cover, it should regularly be measured, re-evaluated and updated. Constant measurement of a plan's progress provides an operator with results that can then be used to make the plan more realistic and more successful.

Although many planners review their goals quarterly, others meet annually. And that can be enough. At one annual meeting, for example, Ken's Restaurant Systems identified two suitable concepts for expansion. As a result, the company has redirected its efforts toward active franchising of Mazzio's Pizza and Scooter's Pizza Delivery.

In sum . . .

Unlike some functions which are more practical for large corporations than small operations or vice versa, long-term strategic planning is for everyone. From the big company looking to acquire a new chain of restaurants to the single-unit operator looking to remain current with his restaurant concept, long-term planning is the key to long-term profit. ❑

How Changes in Your Cost Structure Affect Your Profits

by Brian Lane

One of the chief responsibilities of any small business owner is to establish a primary focus or direction for that business. This direction or focus must clearly identify the goals which one strives to attain. In a dynamic environment like the restaurant industry, a company's goals can become blurred and seemingly unattainable unless there is a plan which establishes a basic systematic program designed to conduct this mission.

Financial plans are required for a business at any stage in its life cycle. Whether it is in the feasibility phase or in the maturation phase, planning is critical to future success. A common misperception in the business community is the use of a feasibility study or a pro forma estimate as a plan. A pro forma is a projection which identifies what an actual statement is expected to look like, provided that certain assumptions are realized. A plan, on the other hand, is a strategy for achieving your assumptions.

Typically, most feasibility studies, pro forma estimates and, in general, most budgeting processes begin with an estimate of sales. The fact is that sales are dependent on check averages, customer counts, number of operating days and assumptions on cyclical trends. Items such as check average and customer counts are dependent upon certain goals and objectives which need to be stated in your strategic plan—for example, type of menu and prices. You can establish these items up front if you wish, but they will be limited in their achievability by your fixed and variable cost structure.

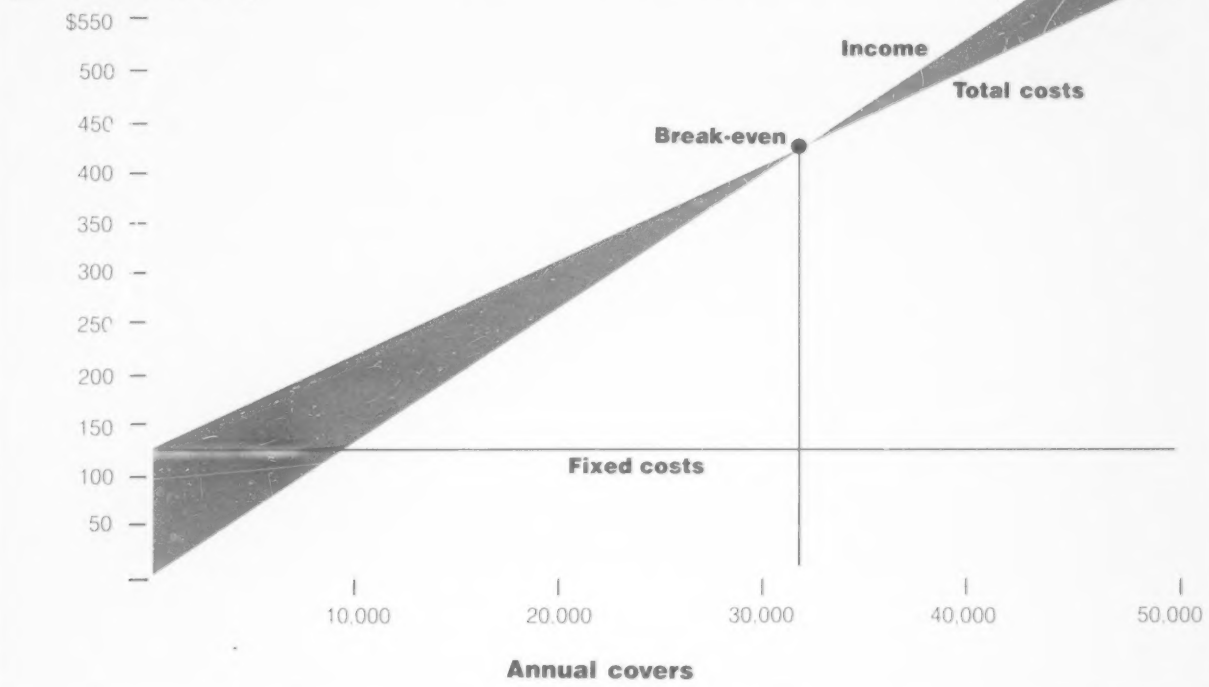
A more appropriate starting point, therefore, would be to identify your fixed and variable costs in order to determine appropriate goals and objectives for your business.

Break-even analysis

Many strategic plans are based on what is called a "snapshot" approach, which illustrates a business's break-even point. Break-even analysis is a valuable tool because it graphically illustrates a firm's expected cost structure. The break-even point is the fulcrum which any business must balance upon, with profitability lying on one side while operating loss looms on the other.

Brian D. Lane is a business consultant in the Washington, DC, office of Cini-Little Associates, Inc., a comprehensive consulting service to the foodservice and lodging industries.

Graph 1
Break-even point based on number of covers



Graph 2
Break-even point based on sales volume

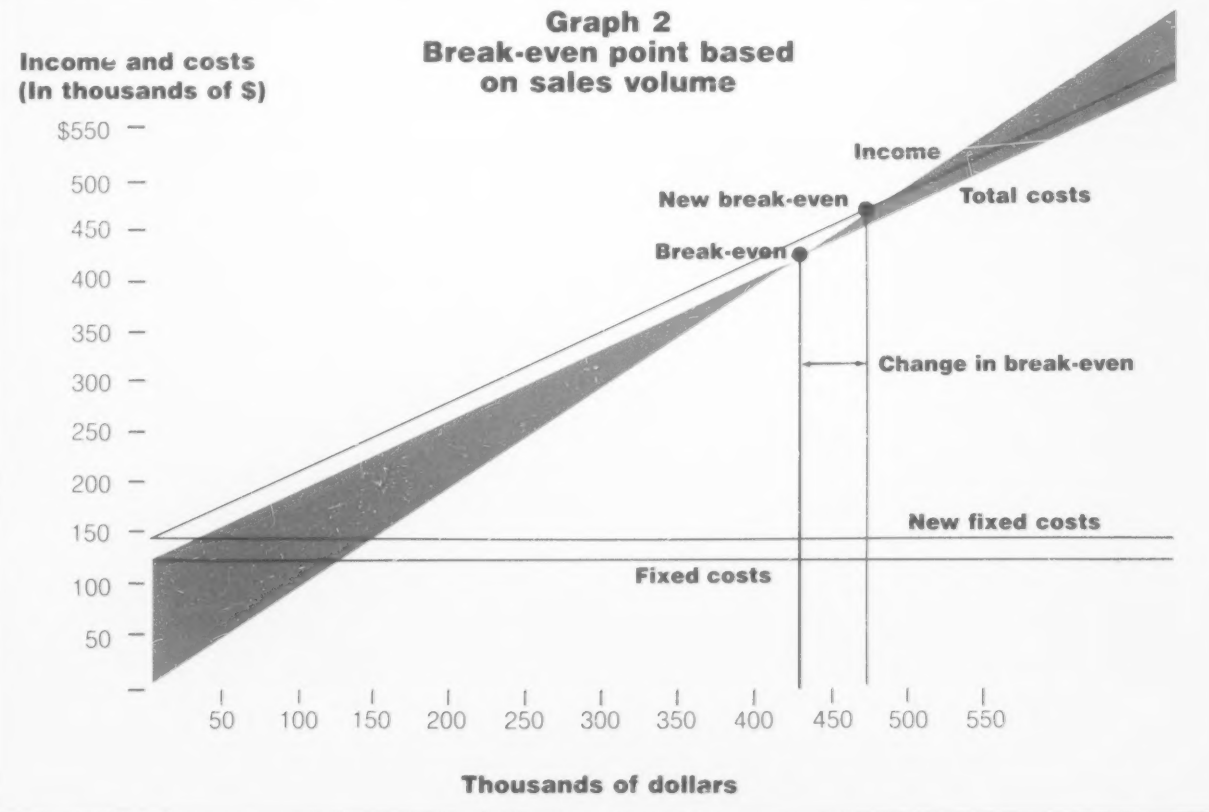


Chart 1
How changes in sales and variable costs affect profit

Annual profits when fixed costs are **$125,000** per year
Profits = (1-variable cost % × sales − fixed cost)

2% = Variable A (variable costs)
10% = Variable B (sales)

Based on break-even point: profit and loss basis

	Variable Costs								
Sales	**62%**	**64%**	**66%**	**68%**	**70%**	**72%**	**74%**	**76%**	**78%**
$105,000	(85,100)	(87,200)	(89,300)	(91,400)	(93,500)	(95,600)	(97,700)	(99,800)	(101,900)
$157,500	(65,150)	(68,300)	(71,450)	(74,600)	(77,750)	(80,900)	(84,050)	(87,200)	(90,350)
$210,000	(45,200)	(49,400)	(53,600)	(57,800)	(62,000)	(66,200)	(70,400)	(74,600)	(78,800)
$262,500	(25,250)	(30,500)	(35,750)	(41,000)	(46,250)	(51,500)	(56,750)	(62,000)	(67,250)
$315,000	(5,300)	(11,600)	(17,900)	(24,200)	(30,500)	(36,800)	(43,100)	(49,400)	(55,700)
$367,500	14,650	7,300	(50)	(7,400)	(14,750)	(22,100)	(29,450)	(36,800)	(44,150)
$420,000	34,600	26,200	17,800	9,400	1,000	(7,400)	(15,800)	(24,200)	(32,600)
$472,500	54,550	45,100	35,650	26,200	16,750	7,300	(2,150)	(11,600)	(21,050)
$525,000	74,500	64,000	53,500	43,000	32,500	22,000	11,500	1,000	(9,500)
$577,500	94,450	82,900	71,350	59,800	48,250	36,700	25,150	13,600	2,050
$630,000	114,400	101,800	89,200	76,600	64,000	51,400	38,800	26,200	13,600
$682,500	135,350	120,700	107,050	93,400	79,750	66,100	52,450	38,800	25,150
$735,000	154,300	139,600	124,900	110,200	95,500	80,800	66,100	51,400	36,700
$787,500	174,250	158,500	142,750	127,000	111,250	95,500	79,750	64,000	48,250
$840,000	194,200	177,400	160,600	143,800	127,000	110,200	93,400	76,600	59,800
$892,500	214,150	196,300	178,450	160,600	142,750	124,900	107,050	89,200	71,350

Break-even analysis, therefore, studies the relationship among *fixed costs*, *variable costs* and *profits*. Fixed costs are those charges which do not vary with your level of sales, such as rent, salaries, lease payments and sinking funds payment. Variable costs are all costs which change as your level of sales change, such as food and beverage costs and wages. Through this analysis, you can identify that level of sales which covers all of these costs. There are a number of ways to calculate break-even, two of which are most applicable for use by restaurateurs. The first is based on units of output or covers which must be served in order to recoup costs. The other method is expressed in sales, identifying the level of volume required in order to cover costs.

(1) Number of covers. It is difficult to calculate break-even based on customer counts if you serve multiple meal periods (breakfast, lunch and dinner) because you need one fairly accurate average price per cover. This can be accomplished if you serve just lunch or just dinner or if you have sufficient historical data that allows you to assume an accurate average daily cover.

To illustrate, let's take a look at Restaurant A. Restaurant A is a small 120-seat, medium-priced establishment, which is open only for dinner. Restaurant A's check average and operating costs are as follows:

Annual fixed costs* . . . $125,000
Variable costs* . . . (.70) = $8.75
Average check. $12.50
Operating days 355

The following formula is used to calculate break-even.

$$\text{Number of covers} = \frac{\text{Fixed costs \$}}{\text{Average check} - \text{variable cost}}$$

$$33{,}333 = \frac{\$125{,}000}{\$12.50 - \$8.75}$$

This translates to 33,333 customers annually or, using 355 days of operation, 94 customers per night are required to break even at an average check of $12.50. Graph 1 depicts this restaurant's cost structure and break-even point.

(2) Sales volume. For most operators, the easiest method for calculating break-even is based on *sales volume* because this procedure requires only levels of fixed and variable costs—not average check projections. In this procedure fixed costs will be expressed in dollars and variable costs in percentages. Restaurant A will again be used to illustrate.

Fixed costs (FC) $125,000
Variable costs (VC) . . . . . 70% of sales

The formula now reads:

$$\text{Break-even sales} = \frac{\text{FC}}{1.0 - \text{VC}}$$

$$= \frac{\$125{,}000}{1.0 - .70}$$

$$= \$416{,}667$$

Graph 2 will be the same as Graph 1 except in this example the "X" axis is expressed in terms of dollars rather than covers.

These two graphs provide you with the "snapshot" of your business. What is gained through this analytical technique is not only a graphical representation of your break-even point but also an illustration of the relationship between your fixed and variable costs and how each affects prof-

*See side bar for calculation of fixed and variable costs.

Chart 2
How changes in variable and fixed costs affect profits

$525,000 = project sales
Profits = (1-variable cost % × sales-fixed cost

2% = Variable A (variable costs)
10% = Variable B (fixed costs)

Sample fixed costs*

Fixed rent	$ 26,400
Salaries	$ 65,000
Insurance	$ 7,500
Utilities	$ 13,000
Service contracts	$ 13,100
Total	**$125,000**

Sample variable costs*

Total cost of sales	32.20%
Wages	17.10
Benefits	3.90
Direct operating expenses	5.80
Entertainment	1.30
Advertising	2.20
Administration & general	4.60
Repairs	1.50
Property tax	0.80
Other tax	0.60
Total	**70.00%**

Variable costs

Fixed costs	62%	64%	66%	68%	70%*	72%	74%	76%	78%
($0)	199,500	189,000	178,500	168,000	157,500	147,000	136,500	126,000	115,500
$ 12,500	187,000	176,500	166,000	155,500	145,000	134,500	124,000	113,500	103,000
$ 25,000	174,500	164,000	153,500	143,000	132,500	122,000	111,500	101,000	90,500
$ 37,500	162,000	151,500	141,000	130,500	120,000	109,500	99,000	88,500	78,000
$ 50,000	149,500	139,000	128,500	118,000	107,500	97,000	86,500	76,000	65,500
$ 62,500	137,000	126,500	116,000	105,500	95,000	84,500	74,000	63,500	53,000
$ 75,000	124,500	114,000	103,500	93,000	82,500	72,000	61,500	51,000	40,500
$ 87,500	112,000	101,500	91,000	80,500	70,000	59,500	49,000	38,500	28,000
$100,000	99,500	89,000	78,500	68,000	54,500	47,000	36,500	26,000	15,500
$112,500	87,000	75,500	66,000	55,500	45,000	34,500	24,000	13,500	3,000
$125,000*	74,500	64,000	53,500	43,000	32,500	22,000	11,500	1,000	(9,500)
$137,500	62,000	51,500	41,000	30,500	20,000	9,500	(1,000)	(11,500)	(22,000)
$150,000	49,500	39,000	28,500	18,000	7,500	(3,000)	(13,500)	(24,000)	(34,500)
$162,500	37,000	26,500	16,000	5,500	(5,000)	(15,500)	(26,000)	(36,500)	(47,000)
$175,000	24,500	14,000	3,500	(7,000)	(17,500)	(28,000)	(38,500)	(49,000)	(59,500)
$187,500	12,000	1,500	(9,000)	(19,500)	(30,000)	(40,500)	(51,000)	(61,500)	(72,000)
$200,000	(500)	(11,000)	(21,500)	(32,000)	(42,500)	(53,000)	(63,500)	(74,000)	(84,500)
$212,500	(13,000)	(23,500)	(34,000)	(44,500)	(55,000)	(65,500)	(76,000)	(86,500)	(97,000)
$225,000	(25,500)	(36,000)	(46,500)	(57,000)	(67,500)	(78,000)	(88,500)	(99,000)	(109,500)
$237,500	(38,000)	(48,500)	(59,000)	(69,500)	(80,000)	(90,500)	(101,000)	(111,500)	(122,000)
$250,000	(50,500)	(61,000)	(71,500)	(82,000)	(92,500)	(103,000)	(113,500)	(124,000)	(134,500)

itability. Now, we can calculate the effects that changes in fixed and variable costs will have on break-even in order to decide what appropriate target levels should be.

Changes in fixed costs . . .

Looking back at Restaurant A, a $1 increase or decrease in the level of fixed cost will result in a $3.33 increase in the break-even point due to the slope of Restaurant A's total cost curve. This is calculated by taking your $1 increase or decrease in fixed cost and dividing it by one minus your variable cost percentage $1/(1.0 − 0.70) = $3.33. So, in other words, for each dollar increase or decrease in Restaurant A's fixed costs, break-even will increase or decrease by $3.33. This ratio (1/3.33) is very important because it is different for every firm.

You will notice by this basic formula that the higher your variable cost percentage, the more income it takes to recover fixed expenses. To illustrate, let's change Restaurant A's total variable cost percentage to 85 percent. The ratio would then be 1/6.66 or $6.66 change for every $1 increase/decrease.

Changes in variable costs . . .

What about changes in variable costs? You can use the following formula to calculate what effect a one percent increase in variable cost will have on your break-even point:

(Fixed costs)/(1 − variable cost − 0.01) − break-even sales

For Restaurant A, this equals a $14,367 increase in break-even.

Unlike the formula for fixed cost, to calculate what effect a decrease in variable cost will have, you need to only slightly modify the above for-

mula to calculate what effect a decrease of one percent will have.

– Fixed costs/(1 – variable cost – 0.01) + break-even sales

This equals a reduction of $14,367 in break-even.

How to use the analysis . . .

Determining your fixed and variable cost structure can be invaluable for strategic planning as it can help identify key objectives. It can also be used for studying the feasibility of a project, preparing a turnaround strategy, projecting a budget for an upcoming period or determining the feasibility of changes in menu or facility design, where a cost of capital or change in variable cost percentage can be assumed.

To illustrate, let's go back to Restaurant A. The owners of Restaurant A would like to purchase a new piece of equipment that will allow them greater menu flexibility. The total cost of the equipment and installation is $12,500 if the owners decide not to finance this capital investment. Their cash payment would represent an increase in fixed costs for the year. Referring back to the previously stated formula of the change in break-even resulting from a change in fixed cost, this $12,500 increase to this year's fixed cost will result in an approximate $42,000 increase in break-even sales. Graph 2 illustrates the change in fixed costs and break-even resulting from this capital investment decision.

After looking at the effect on the break-even, the owners of Restaurant A decide that the increase in sales will not be enough to counter this increase in break-even, so they agree to finance their purchase and spread the cost out over two or three years. This example illustrates how you can use the analysis to determine whether expenditures can be absorbed by your restaurant without negative effects on profitablity. This example uses a rather small amount, but the same principles apply when analyzing a major change such as renovation or expansion.

When you are determining what levels of food and variable cost are appropriate for your business or what effects any increase or decrease may have on profitability, it can become cumbersome to continually calculate your new break-even point.

Sensitivity or "what if" analysis . . .

In order to quickly identify the results which changes in fixed and variable costs have on profitability and break-even, a method called "What If Analysis" or "Sensitivity Analysis" can be used. Calculating the change in profits given certain changes in either sales, fixed cost or variable cost can be quickly calculated by this procedure. This procedure can save time and provides you with a means of foreseeing how your profits change as your cost structure changes.

As an example, Chart 1 is a "What If" table for Restaurant A. This table calculates profit levels (numbers within) when fixed costs are frozen at $125,000 and variable costs are increased or decreased in two percent increments while sales are increased or decreased in increments of 10 percent. The underlined figures represent Restaurant A's fixed and variable costs (listed previously) and last year's sales figures. As you can see, if sales increase 10 percent and costs remain constant, profits increase by nearly $16,000.

Another valuable way to use sensitivity analysis is to freeze sales at a fixed level and see what changes in both variable and fixed costs have on profits. Chart 2 depicts how this would look.

Using the combined information from both of these tables, an operator can achieve an expanded "snapshot" of his business and can perceive what effect enviornmental changes will have on his profitability. In this way, he can chart the precise course of action which he wishes to pursue. Goals and objectives can be established which all work in harmony in order to achieve a business's ultimate mission. ❑

Calculating fixed and variable costs

Fixed costs are any costs which remain constant or do not vary with the level of sales. These costs, since they are fixed, should be expressed in dollar amounts.

Examples: Rent
Salaries
Loan payments
Service contracts
Some utilities

Variable costs are those costs which fluctuate with sales.

Examples: Food costs
Beverage costs
Hourly wages
Direct operating expenses

These costs, unlike fixed costs, must be expressed in percentage terms due to their relationship to sales.

Some cost items have the characteristics of both a fixed and a variable cost, as a portion may be fixed while another portion is dependent on sales. An example of this would be salaries and wages. Salaries do not change and should be separated as a fixed cost, while hourly labor must be calculated as a percentage of sales. Other examples would be rent, which often has fixed and variable components, or repairs and maintenance, which can be comprised of certain fixed service contracts along with unpredictable daily expenses. To handle these special cost items, separate the fixed portion and add it to your total fixed costs and calculate the remaining portion as variable cost.

Restaurant A has the following cost structure:

Fixed Costs

Fixed rent	$26,400
Salaries	65,000
Insurance	7,500
Utilities	13,000
Service contracts	13,100
Total	**$125,000**

Variable Costs

Total cost of sales	32.20%
Wages	17.10
Benefits	3.90
Direct operating expenses	5.80
Entertainment	1.30
Advertising	2.20
Administrative and general	4.60
Repairs	1.50
Property tax	.80
Other tax	.60
Total	**70.00%**

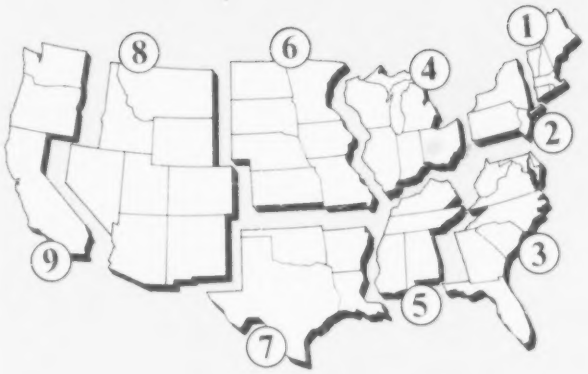
How's Business?

by Cecelia Niepold

Here are some highlights from a special survey sent to all past How's Business? *contributors. **NRA NEWS** asked participants to comment on their local economy, customer trends and upcoming plans.*

Obviously, economic conditions can vary widely within regions. In general, however, the Midwest and Southwest are still feeling the effects of the depressed oil and agricultural industries, while many East Coast and West Coast areas are experiencing steady growth.

Some trends appear to be occurring nationwide: an increased emphasis on light dishes, especially seafood; a growing focus on fresh ingredients; increased local competition and innovative promotions; and more interest in new menu items, particularly regional or ethnic fare, such as Cajun and Mexican.



1 NEW ENGLAND

Things seem to be looking up in New England. "We had an **excellent** season, so did the entire area," reports Chris Costen, owner of the 110-seat West Street Cafe in Bar Harbor, ME. In addition to a **new menu design** and **more seafood** dishes, the cafe is **eyeing breakfast** (a simple menu or buffet to hold down labor costs) and **small group business.**

Others, too, are expanding. The New Sadler's Ordinary, a 70-seat casual eatery in Marlborough, CT, is **catering** for small parties; and Mt. Attitash Lift Corporation, a recreation ski resort in Bartlett, NH with 200 seats, has spiced up its menu with **Mexican** dishes.

Anticipating a healthy 1986, the 100-seat Lawton's Family Restaurant in Lincoln, RI, is **relandscaping, reshingling** and **creating new signage.** Even smaller operators, such as Chris & Sonny's Cup N'Saucer, a 25-seat coffee shop in Wilmington, VT, plan to **add more seats** if the first part of 1986 stays strong.

The Lyceum, a 300-seat restaurant in Salem, MA, has found that customers are looking for **different kinds of foods during nontraditional hours.** So, it has added vegetarian dishes, hearty appetizers and even dishes with calorie counts. New marketing ideas include **retailing signature items, packaging gourmet chocolates** with the Lyceum label and **raffling off the chef** to prepare a special dinner at the winner's house.

2 MIDDLE ATLANTIC

Harold Leifer, president of Jimmie Kramer's The Peanut Bar, speaks for the region when he says that "the unemployment rate is down, and the economy is generally **good."** He has **added 75 seats** to his 145-seat restaurant and a **new kitchen.** Upcoming plans: **more desserts, signature bread, private parties and perhaps catering.** Two clouds on the horizon: **shortage of quality help** and **escalating costs of liquor liability.**

Others are **redesigning** and **redecorating:** a lighter interior for the 60-seat "Thisilldous" Eatery and Ice Cream Parlor in Belvidere, NJ, and an **atrium** and a 10-seat **conference room** for The Hornet's Nest, a 275-seat restaurant in East Hanover, NJ. The Hornet's Nest has also **increased its quality of service** (fewer patrons per server) and staff **incentive programs.**

Another operator that is **overhauling** his entire operation is Charles Jacott, owner of El Parador Cafe, a 100-seat Mexican-style restaurant in New York City. Top changes include **adding an ethnic grocery for takeout** and **opening for lunch.**

3 SOUTH ATLANTIC

The South Atlantic gets **mixed reviews.** In some parts there is expansion in response to a healthy economy; in others, sales are flat or dampened due to business slowdowns.

"People are shopping for **specials and value,**" observes Rusty Williams, general manager of the 376-seat Rusty Rudder waterfront complex in Dewey Beach, DE. "We are facing **a more sophisticated palate** with an **emphasis on lighter preparation,**" adds Robert D. Smoots, president of Eli's on East Ltd. (100-seats; Charlotte, NC).

The 120-seat Strawberry Street Cafe in Richmond, VA, is focusing on **faster service, better quality control** and **less waste.** It also has expanded its appetizer and dessert list to boost its **grazing appeal.**

Other items popular in the area include **take out, deli items** and **seafood.** Less popular are **red meats** and **alcoholic drinks.**

4 EAST NORTH CENTRAL

Business is **fair** in the East North Central states. There is a greater focus on food to offset a drop in liquor sales and to maintain a competitive edge.

The Traffic Jam and Snug (250 seats; Detroit, MI) has been busy. It has added a 10-gallon milk vat to make **cheese on premise,** a **sausage kitchen** and a **smoker.** Menus are changed daily, with **wire service news items** printed on the back.

Strang Management (three seafood restaurants, average 200 seats; Cleve-

land, OH) has **changed one restaurant's bar to an eating area** and has **added more food items** in other bar areas.

Other operators have **expanded their menus** to appeal to new segments. **Daily specials** are more and more common. **Take-out** has become a major emphasis at The Cookery (85 seats; Green Bay, WI). Despite lighter additions at Wolf's Bar-B-Q in Evansville, IN, however, barbecue remains tops. In fact the barbecue sauce will be **distributed nationally.**

Other ways operators are staying current include adding **delivery services.**

5 EAST SOUTH CENTRAL

Amy Kurland, owner of the 75-seat Bluebird Cafe (Nashville, TN), says business is **good** and unemployment is down. Other operators in the region give a similar report. Linda Moore, owner of the 90-seat Family Fare Restaurant in Dry Ridge, KY, says she has noticed **more older people** and **couples** dining out. She also reports that **delivery service has tripled.**

Cajun cooking is a favorite in the region. Also popular are **grazing** foods, **desserts, broiled entrees** and **salad bars. Catfish** also has a loyal following: Cock of the Walk, Inc., (225 seats; Natchez, MS) which specializes in the dish, is constructing four more units.

Variety continues to be important. Some operators, such as Judy Martin, owner of the 50-seat Vintage Year in Montgomery, AL, has made her reputation on the five or six menu items that change constantly. To introduce unfamiliar entrees, she offers **complimentary appetizer-size samples.**

6 WEST NORTH CENTRAL

Business in the West North Central region is generally **down.** "The local economy is hard-pressed. We are right in the center of the agricultural region," explains Helen Judd, owner of the 250-seat Hays House in Canal Grove, KS. Increased **tourism** has helped Judd and a number of other operators. Because most of the travelers are senior citizens, Judd has added **smaller-sized entrees** to the menu. She has also noticed more **local breakfast traffic.**

Mustards Restaurants (three barbecue eateries, average 60 seats) in Des Moines, IA, believes customers are looking for **value.** That is why owner Ron Smith has introduced **tableside service** and **broadened the menu** with non-barbecue items, such as **taco salads.**

The Vagabond Restaurant (315 seats; Hays, KS) is combating increased fast food competition with **more hamburger entrees** and **family night specials.** Another possible option—**joining a national franchise.**

Promotions are other popular methods for generating customer interest. The Lettuce Leaf chain (11 units, average 110 seats) in St. Louis, MO, recently sponsored a creative salad-making contest.

7 WEST SOUTH CENTRAL

The depressed oil industry continues to affect much of the region. Robert Lehman believes the **slow** economy is turning people away from upscale establishments toward **gourmet burger** operations, like his 120-seat Boomerang Restaurant in Norman, OK. Other operators have also noticed that customers **want to get more for less.** All-you-can-eat salad bars, lunch buffets, lunch specials, early-bird and late-night reduced-price entrees have all helped boost business. Even though unemployment is up in New Orleans, LA, Vintage Year has **doubled its seating capacity** to 78 with some of these promotions.

Ken Koock, vice president of Green Pastures, a 350-seat stately mansion and three new Tres Amigos (average 200 seats) in Austin, TX, is tackling the slowdown with **quicker service** at lunch and **more light dishes. Breakfast,** however, continues to grow rapidly in the Mexican units.

A restaurant with a national reputation, such as the elegant Mansion on Turtle Creek (142 seats; Dallas, TX) can hold its own even in a downtown. It reports a healthy sales record, attributed to **Southwestern dishes; homemade items**, such as pasta, jams and vinegars; increased **wine sales; lighter fare** and **seafood.**

8 MOUNTAIN

Reports are **mixed** from the mountain region: Some operators are expanding while others suffer from flat or depressed sales. "We have had a beautiful year, the best in 19 years," says Cula Ekker, owner of the 80-seat Sun Glow Cafe in Bicknell, UT. She is adding a **sun room.** Much less optimistic are Vic Weese, president of Zach's Munchkins (300 seats; Denver, CO), who has cut back employees due to a **saturation** of restaurants in the local market, and Rob Ferry, manager of the Oxbow Cafe (120 seats; Bliss, ID), who has noted that people are **dining out less** due to the depressed local agricultural economy.

Whatever their circumstance, however, operators are introducing **innovative** ideas. They are **expanding menus, staying open longer,** turning to **catering,** adding **daily specials** and promoting **breakfast.**

Ed Chilleen, owner of Crazy Ed's Satisfied Frog (140 seats; Cave Creek, AZ) has gone even further. He has built two **mobile hot food trucks** with portable barbecue smokers for street corner sales and catering; and he is adding a **tortilla factory** and a **retail bakery.**

9 PACIFIC

Overall business is **up** in the Pacific states, but competition is fierce. This has led to greater **menu diversity** as well as increased **staff training.**

Customers have developed much more **sophisticated tastes,** notes Gwynn Palmer, manager of the Sound Food Restaurant and Bakery (75 seats; Vashon, WA). Catering to new demands, she features **fresh, unprocessed ingredients** and **daily specials.** Eric Sellix of Hump's Restaurant in Clatskanie, OR (250 seats), has expanded his menu with **more salads** and **poached seafood.** Because of the drop in liquor sales, he has **reduced lounge hours** and **introduced a piano bar.**

The Snoqualmie Falls Lodge (130 seats; Snoqualmie, WA) has taken a different approach to reduced liquor sales: It has increased its emphasis on wine—**training staff** and **adding to the wine list.** There are plans to perhaps **create** a Snoqualmie Falls Lodge **wine label.**

FOOD FOR THOUGHT

Follow that sombrero

The Mexican food craze has taken to the streets. North of the Border, a New York, NY-based Mexican food company, offers tacos and burritos at six pushcarts scattered around midtown Manhattan. Customers can easily spot the pushcarts amidst the sea of pretzel, potato knish and hotdog stands because of a large papier-mache sombrero atop each cart.

Company owner David Alwadish says reaction to the taco has been enthusiastic. "I'm not surprised," he adds. "I figured this is the sort of food yuppies would go for."

—New York magazine

Gourmet to go

Convenience is the key to grocer Jim Bildner's success. Last year he opened the first J. Bildner & Son's supermarket in Boston, offering gourmet meals to go, home delivery and plenty of personalized service. Included in the concept is a "free-standing breakfast," with freshly brewed coffee, juices and the like—so people on the run can brown-bag their breakfast on the way to work.

Bildner's market has proven so popular that more stores will be opened in Boston, New York and the Atlanta area.

—USA TODAY

A neighborly promotion

When a new apartment complex opened across the street from Garcia's restaurant, Greenville, SC, general manager Stuart Ruelle saw a great opportunity to increase his customer base. He and the building manager jointly hosted a "Meet Your Neighbors" party at the restaurant. Attendees received complimentary hors d'oeuvres and special bandanas to establish themselves as regular customers on return visits. After the party, any customer returning with a bandana was eligible for free drinks, free appetizers or discounts.

The "Meet Your Neighbors" party was so successful that Ruelle has hosted similar parties for other apartment complexes in town. The next step? In 1986, Ruelle plans to invite the entire town of Greenville to meet its neighbors at a festival hosted by Garcia's and held in the restaurant's parking lot. *—Briefing*

Tres chic

Update from abroad: A whole new crop of ingredients have become chic in France. Spices, such as curry, coriander and cinnamon, are used everywhere. Virgin olive oil is taking the place of butter, and honey is edging out sugar, not just in desserts but also in meat and vegetable glazes.

Among more unusual ingredients, the French are developing a passion for blood oranges, now appearing as a main course garnish and for dessert. Their deep crimson color, say French chefs, makes a definite impression on any plate. Chefs have also stopped pureeing vegetables and are instead experimenting with sliced, coarsely grated or chopped to retain some texture.

—Los Angeles Times

The perfect chip?

Move over, potato chips. The California Tomato Research Institute is developing the perfect chip: tasty, nutritious and low in salt and fat. The tomato chip, still being researched, should be available soon.

Institute Director George Johannessen predicts the tomato chip will be a big hit among today's nutrition-conscious consumers. "Anyone who knows the tomato thinks of it as one of the most healthful foods," he comments, "and our tomatoes are all vine-ripened fruit prior to processing. Because of this, the opportunity to attract consumers is very great."

—Snack Food magazine

Gone fishin'

At Big Splash, a new restaurant in North Miami Beach, FL, customers are guaranteed seafood that is to their liking—because they choose it themselves.

Rocky Aoki, owner of Big Splash and founder of the Benihana restaurant chain, developed the unusual concept after a visit to Singapore. "In Singapore, people would spear and handle their own catch for dinner," he explains. "We don't go that far here, but we do have tanks from which customers are able to pick and choose." Before customers are seated at Big Splash, they are led to two colorful display tanks filled with fish. And once they have selected their fish, they have a choice of many international preparation styles, including Oriental, continental, French or American. *—Big Splash*

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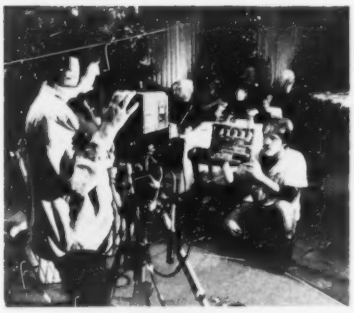

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First series of training tapes just released

The first series of NRA's videos, Wait Staff Training, were completed in the fall. Now they are available for you and your staff:

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To ensure that you are using video training to its fullest capacity, NRA has produced an orientation cassette on how to implement and conduct video training.

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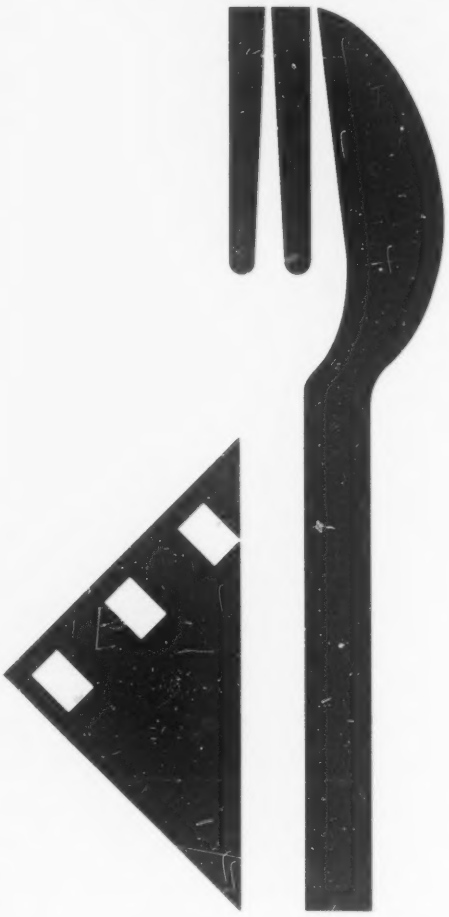

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